ASEAN CATALYST

CIMB

FINANCIAL STATEMENTS **2018**

IMPROVED PROFITABILITY
24.8% YoY growth in net profit to RM5.58 billion from lower expenses and provisions.

PG **8**

HEALTHIER CAPITAL
Strengthened capital ratios in regulated banking entities Group-wide.

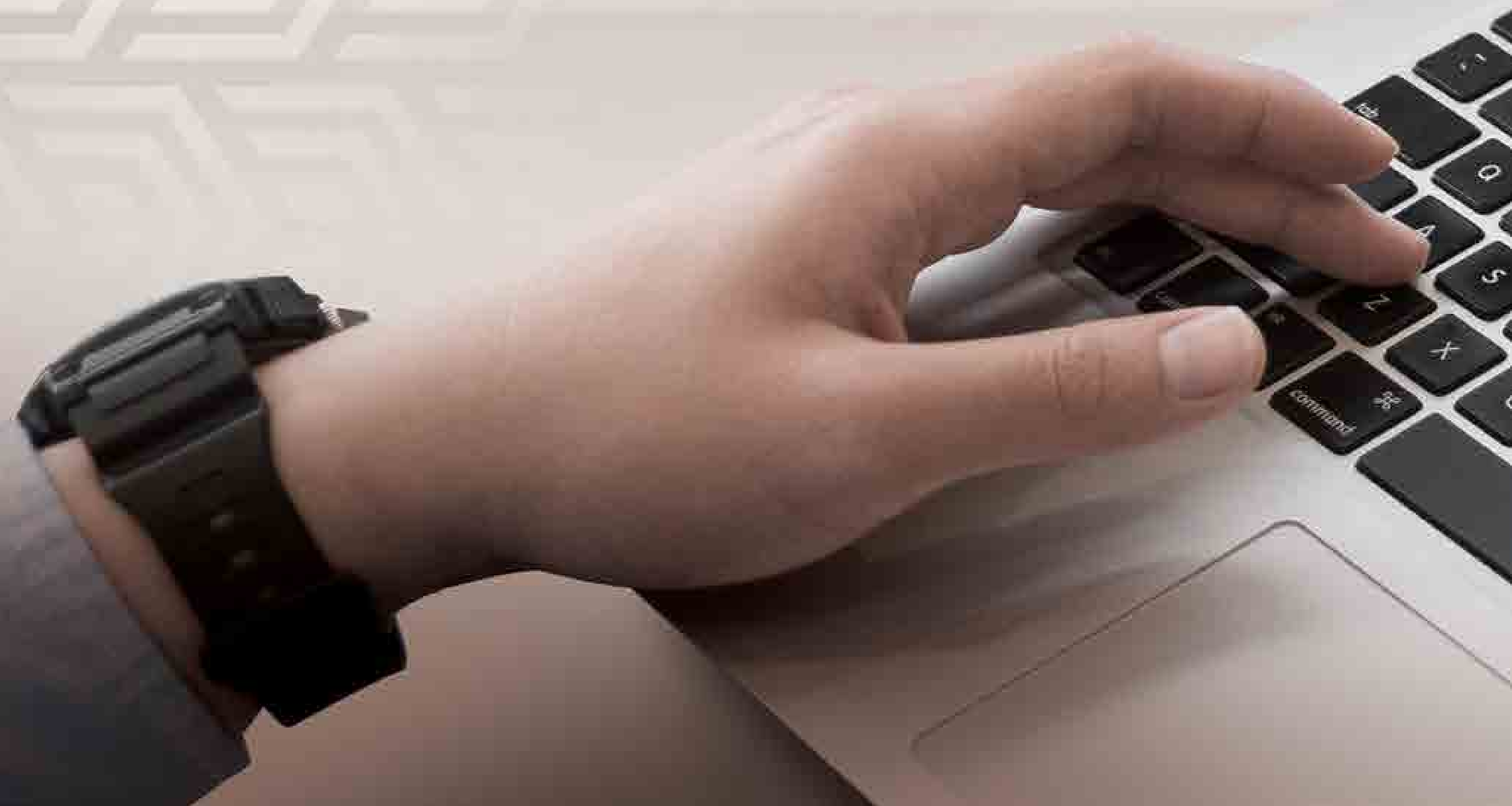
PG **10**

LOWER PROVISIONS
Improved risk management brought about 35.8% reduction in loan loss provisions.

PG **8**

View our Annual Report, Accounts and other information about CIMB Group Holdings Berhad at

www.**cimb**.com



2018 ANNUAL REPORT

contents

ANNUAL GENERAL MEETING

ANNUAL GENERAL MEETING

62nd Annual General Meeting of CIMB Group Holdings Berhad

WHERE

Grand Ballroom
First Floor
Sime Darby Convention Centre
1A Jalan Bukit Kiara 1
60000 Kuala Lumpur
Malaysia

WHEN

Monday,
22 April 2019

TIME

9.00 a.m.

WEBSITE

View our Annual Report, Accounts and other information about CIMB Group Holdings Berhad at
www.cimb.com

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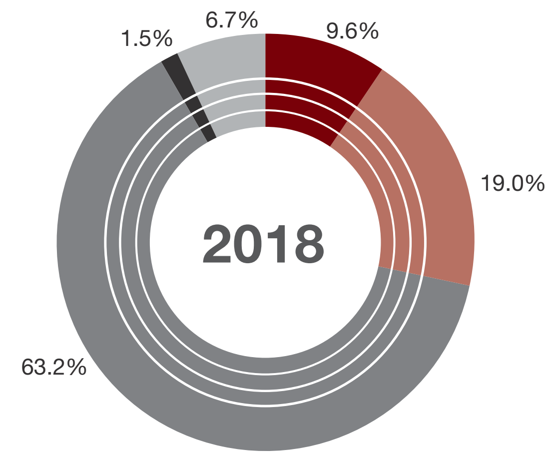
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

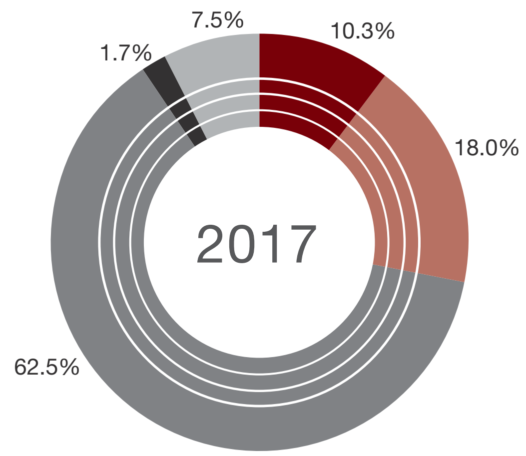
Key Highlights	FINANCIAL YEAR ENDED 31 DECEMBER 2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Consolidated Statement of Income					
Operating income	**17,381,968**	17,626,496	16,065,255	15,395,790	14,145,924
Overheads	**8,655,821**	9,133,575	8,651,690	9,248,978	8,291,963
Profit before expected credit losses/allowances	**8,726,147**	8,492,921	7,413,565	6,146,812	5,853,961
Expected credit losses/allowance for impairment losses on loans, advances and financing	**1,432,661**	2,230,907	2,408,883	2,168,624	1,522,068
Profit before taxation and zakat	**7,200,667**	6,109,985	4,884,144	3,913,993	4,276,423
Net profit for the financial year	**5,583,510**	4,475,175	3,564,190	2,849,509	3,106,808
Consolidated Statement of Financial Position					
Gross loans, advances and financing	**346,290,529**	324,218,054	323,719,559	297,822,144	264,644,089
Total assets	**534,089,043**	506,499,532	485,766,887	461,577,143	414,156,356
Deposits from customers^	**379,671,991**	356,994,529	338,530,629	320,509,026	284,714,019
Total liabilities	**481,501,072**	456,693,097	438,687,729	419,344,515	375,765,233
Shareholders' funds	**51,374,295**	48,245,479	45,308,175	41,050,778	37,360,436
Commitments and contingencies	**1,129,138,654**	875,879,316	888,167,213	883,583,439	702,740,799
Financial Ratios (%)					
Common equity tier 1 ratio (CIMB Bank)	**12.2**	11.9	11.5	11.5	11.2
Tier 1 ratio (CIMB Bank)	**13.7**	13.3	13.1	12.7	12.6
Total capital ratio (CIMB Bank)	**18.4**	16.8	16.2	15.8	14.7
Return on average equity	**11.4**	9.6	8.3	7.3	9.2
Return on average total assets	**1.07**	0.90	0.75	0.65	0.79
Net interest margin	**2.50**	2.63	2.63	2.66	2.80
Cost to income ratio	**49.8**	51.8	53.9	60.1	58.6
Gross impaired loans to gross loans	**2.9**	3.4	3.3	3.0	3.1
Allowance coverage ratio	**91.0**	70.5	79.8	84.7	82.7
Loan loss charge	**0.41**	0.69	0.74	0.73	0.58
Loan deposit ratio	**91.2**	90.8	95.6	92.9	93.0
Net tangible assets per share (RM)	**4.39**	4.14	3.92	3.63	3.28
Book value per share (RM)	**5.37**	5.23	5.11	4.81	4.44
CASA ratio	**32.7**	35.0	35.7	34.1	34.7
Other Information					
Earnings per share (sen) – basic	**59.7**	49.6	41.0	33.6	37.5
Gross dividend per share (sen)	**25.0**	25.0	20.0	14.0	15.0
Dividend payout ratio (%)	**42**	51	49	42	40
Number of shares in issue ('000)	**9,564,455**	9,225,547	8,868,384	8,527,272	8,423,751
Weighted average number of shares in issue ('000)	**9,356,695**	9,016,943	8,689,362	8,475,522	8,288,256
Non Financial Highlights					
Share price at year-end (RM)	**5.71**	6.54	4.51	4.54	5.56
Number of employees~	**36,104**	37,597	38,952	40,545	41,669

^ *Include investment accounts of customers and structured investments classified as financial liabilities designated at fair value through profit or loss, and other liabilities*
~ *Excludes headcount borne by third parties*

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

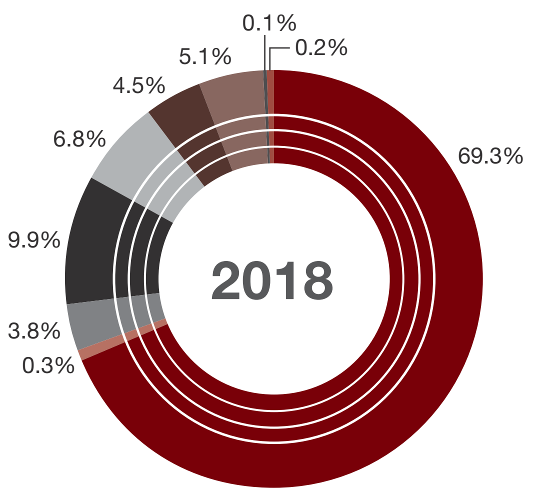
ASSETS

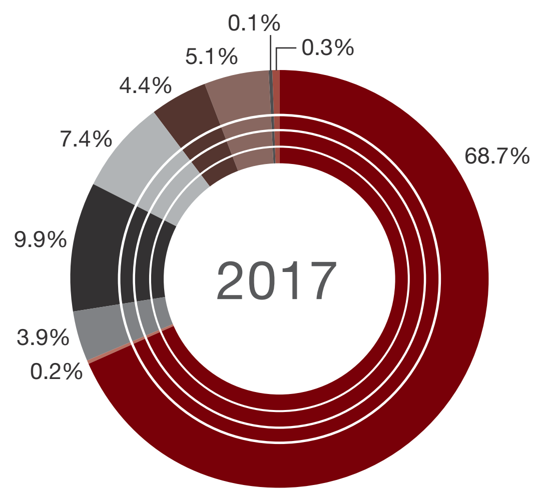




- Cash and short-term funds, reverse repurchase agreements and deposits and placements with banks and other financial institutions
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with central banks
- Other assets (including intangible assets)

LIABILITIES & EQUITY





- Deposits from customers
- Investment accounts of customers
- Deposits and placements of banks and other financial institutions
- Bills and acceptances payable and other liabilities
- Debt securities issued and other borrowed funds
- Ordinary share capital
- Reserves
- Perpetual preference shares
- Non-controlling interests

KEY INTEREST BEARING ASSETS AND LIABILITIES

FINANCIAL YEAR ENDED 31 DECEMBER 2018

	As at 31 December RM'million	Effective interest rate %	Interest income/ expense RM'million
Interest earning assets:			
Cash and short-term funds & deposits and placements with banks and other financial institutions	**39,903**	**2.52**	**1,214**
Financial assets at fair value through profit or loss	**29,511**	**2.90**	**789**
Debt instruments at fair value through other comprehensive income	**32,276**	**4.28**	**1,327**
Debt instruments at amortised cost	**39,269**	**3.92**	**1,542**
Loans, advances and financing	**337,148**	**5.89**	**19,069**
Interest bearing liabilities:			
Total deposits*	**405,131**	**2.51**	**10,100**
Bonds, Sukuk, debentures and other borrowings	**23,022**	**4.04**	**908**
Subordinated oligations	**13,482**	**5.61**	**744**

FINANCIAL YEAR ENDED 31 DECEMBER 2017

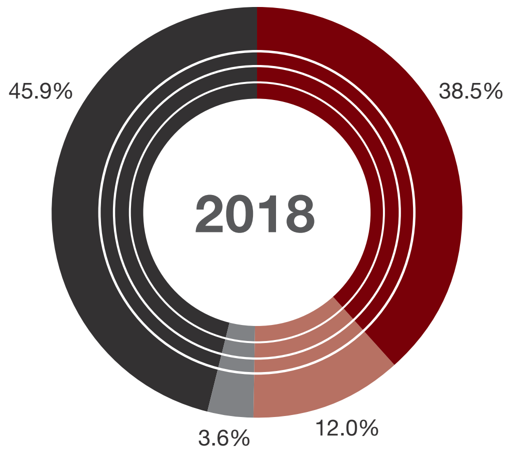
	As at 31 December RM'million	Effective interest rate %	Interest income/ expense RM'million
Interest earning assets:			
Cash and short-term funds & deposits and placements with banks and other financial institutions	45,723	2.28	1,148
Financial assets held for trading	21,657	2.56	665
Financial investments available-for-sale	32,404	3.87	1,198
Financial investments held-to-maturity	36,921	4.10	1,390
Loans, advances and financing	316,557	5.95	18,761
Interest bearing liabilities:			
Total deposits*	380,233	2.42	9,337
Bonds, Sukuk, debentures and other borrowings	24,953	3.24	770
Subordinated oligations	12,533	5.54	744

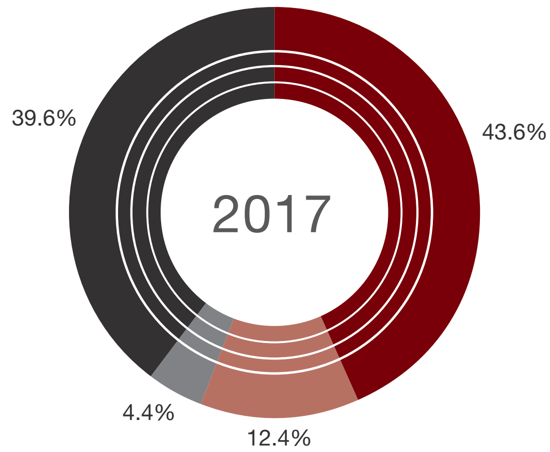
* *Total deposits include deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, financial liabilities designated at fair value through profit or loss and structured deposits.*

VALUE ADDED STATEMENT

	2018 RM'000	2017 RM'000
Value added		
Net interest income	**9,634,440**	10,459,097
Income from Islamic banking operations	**2,610,161**	2,131,813
Net non-interest income	**5,137,367**	5,035,586
Overheads excluding personnel costs, depreciation and amortisation	**(3,065,699)**	(3,170,376)
Expected credit losses/allowance for impairment losses on loans, advances and financing	**(1,432,661)**	(2,230,907)
Expected credit losses/allowance written back for commitments and contingencies	**7,427**	10,364
Other expected credit losses/allowance for other impairment losses	**(134,500)**	(175,167)
Share of results of joint ventures	**30,678**	12,895
Share of results of associates	**3,576**	(121)
Value added available for distribution	**12,790,789**	12,073,184

Distribution of Value Added		
To employees:		
Personnel costs	**4,926,747**	5,254,514
To the Government:		
Taxation and zakat	**1,537,314**	1,502,019
To providers of capital:		
Cash dividends paid to shareholders	**376,094**	402,338
Non-controlling interests	**79,843**	132,791
To reinvest to the Group:		
Dividend reinvestment plan	**1,948,524**	1,838,642
Depreciation and amortisation	**663,375**	708,685
Retained earnings	**3,258,892**	2,234,195
Value added available for distribution	**12,790,789**	12,073,184





To Employees:
Personnel costs

To the Government:
Taxation and zakat

To providers of capital:
Cash dividends paid to shareholders
Non-controlling interests

To reinvest to the Group:
Dividend reinvestment plan
Depreciation
Retained earnings

QUARTERLY FINANCIAL PERFORMANCE

	2018			
RM'000	Q1	Q2	Q3	Q4
Operating revenue	**4,303,311**	**4,863,578**	**4,140,536**	**4,074,543**
Net interest income	**2,419,783**	**2,367,316**	**2,413,467**	**2,433,874**
Net non-interest income and income from Islamic banking operation	**1,883,528**	**2,496,262**	**1,727,069**	**1,640,669**
Overheads	**(2,141,121)**	**(2,087,316)**	**(2,158,346)**	**(2,269,038)**
Profit before taxation and zakat	**1,742,893**	**2,459,160**	**1,486,401**	**1,512,213**
Net profit attributable to owners of the Parent	**1,305,874**	**1,980,783**	**1,179,718**	**1,117,135**
Earnings per share (sen)	**14.15**	**21.29**	**12.56**	**11.67**
Dividend per share (sen)	**–**	**13.00**	**–**	**12.00**

	2017			
RM'000	Q1	Q2	Q3	Q4
Operating revenue	4,360,497	4,327,360	4,423,144	4,515,495
Net interest income	2,645,545	2,684,156	2,603,020	2,526,376
Net non-interest income and income from Islamic banking operation	1,714,952	1,643,204	1,820,124	1,989,119
Overheads	(2,295,732)	(2,262,940)	(2,267,083)	(2,307,820)
Profit before taxation and zakat	1,613,598	1,433,657	1,527,351	1,535,379
Net profit attributable to owners of the Parent	1,180,258	1,102,464	1,132,224	1,060,229
Earnings per share (sen)	13.31	12.25	12.50	11.57
Dividend per share (sen)	–	13.00	–	12.00

ANALYSIS OF FINANCIAL STATEMENTS

ANALYSIS OF STATEMENT OF INCOME

	2018 RM'million	2017 RM'million	Increase/ (Decrease)
Net interest income^	**11,904**	12,207	-2.5%
Net non-interest income^	**5,478**	5,419	1.1%
Operating income	**17,382**	17,626	-1.4%
Overheads expenses	**(8,656)**	(9,133)	-5.2%
Profit before expected credit losses/allowances	**8,726**	8,493	2.7%
Expected credit losses/allowance for impairment losses on loans, advances and financing	**(1,432)**	(2,231)	-35.8%
Expected credit losses/allowance written back for commitments and contingencies	**7**	10	–30.0%
Other expected credit losses/allowance for other impairment losses	**(134)**	(175)	-23.4%
Share of results of joint ventures and associates	**34**	13	161.5%
Profit before taxation and zakat	**7,201**	6,110	17.9%
Net profit attributable to owners of the Parent	**5,584**	4,475	24.8%
EPS (sen)	**59.7**	49.6	20.4%

^ *inclusive of income from Islamic banking operations*

Net interest income

The Group's Net interest income (NII) was 2.5% lower YoY at RM11.904 billion from RM12.207 billion in FY17. The decline was attributed to a combination of weaker Net Interest Margins (NIM) in Indonesia and Malaysia and foreign exchange translation effects. The Group's NIMs were lower at 2.50% from 2.63% in FY17 as Indonesia was impacted by multiple interest rate hikes during the year, while Malaysia liability costs were marginally higher especially at the year-end. The Group's gross loans (excluding bad bank) increased 7.0% YoY driven by the Consumer and Wholesale Banking segments which grew 7.4% and 8.3% respectively. Commercial Banking loans were 2.1% higher YoY. By country, loans growth was largely underpinned by Malaysia at 10.5% YoY.

Net non-interest income

Total net non-interest income (NOII) rose 1.1% YoY to RM5.478 billion compared to RM5.419 billion in FY17. The improvement was achieved mainly due to the accounting of: i) a RM928 million gain from divestment of a 20% interest in CIMB Principal Asset Management (CPAM) and 10% interest in CIMB Principal Islamic Asset Management (CPIAM) during the year; and ii) a RM163 million gain from disposal of a 50% interest in CIMB Securities International (CSI) to China Galaxy Securities. The Group saw good growth momentum in Consumer bancassurance and wealth management, Private Banking and Transaction Banking fees. This was offset by the decline in capital market-related NOII in line with weaker Malaysia and regional markets affected by political and economic factors.

Overheads

The Group's total overhead expenses was RM477 million lower YoY (or a 5.2% YoY decline) to RM8.656 billion from RM9.133 billion in FY17. The decline was due to a combination of continued strict cost control measures implemented under the Group's T18 initiatives as well as the deconsolidation of CPAM and CSI during the year following their respective shareholding realignments.

Expected credit losses/allowance for impairment losses

The total net expected credit losses on loans, advances and financing of RM1.432 billion in FY18 was 35.8% lower YoY compared to RM2.231 billion in FY17. Improved risk management policies resulted in lower provisions in Consumer and Commercial Banking, most notably in Thailand and Malaysia. Corporate provisions were higher YoY due to higher recoveries and writebacks in FY17. For FY18, the Group reported a total loan loss charge of 0.41% with a gross impairment ratio of 2.9% and an allowance coverage of 91.0%.

Net profit

The Group recorded a net profit of RM5.584 billion in FY18, a 24.8% YoY growth from the RM4.475 billion in FY17. The stronger profitability was largely attributed to the gains from disposals of interests in CPAM, CPIAM and CSI, a reduction in operating costs and lower expected credit losses on loans, advances and financing for the year. As a result, the Group reported an improved net EPS of 59.7 sen in FY18.

Analysis of Financial Statements

ANALYSIS OF STATEMENTS OF FINANCIAL POSITION

	2018 RM'million	2017 RM'million	Increase/ (Decrease)
Assets			
Cash and short-term funds	**35,529**	41,668	-14.7%
Deposits and placements with banks and other financial institutions	**4,374**	4,055	7.9%
Financial investment portfolio	**101,640**	90,982	11.7%
Loans, advances and financing	**337,148**	316,557	6.5%
Other assets (including intangible assets)	**55,398**	53,238	4.1%
Total assets	**534,089**	506,500	5.4%
Liabilities			
Deposits from customers^	**379,672**	356,995	6.4%
Deposits and placements of banks and other financial institutions	**20,233**	19,752	2.4%
Other borrowings	**9,307**	10,057	-7.5%
Bonds, Sukuk and debentures	**13,715**	14,896	-7.9%
Subordinated obligations	**13,482**	12,533	7.6%
Other liabilities	**45,092**	42,460	6.2%
Total liabilities	**481,501**	456,693	5.4%

^ *includes investments accounts of customers and structured investments classified as financial liabilities designated at fair value through profit or loss and other liabilities*

A) Total assets

As at 31 December 2018, CIMB Group's total assets rose RM27.6 billion or 5.4% higher at RM534.1 billion. The increase was underpinned by a RM20.6 billion or 6.5% growth in loans, advances and financing, and an 11.7% or RM10.7 billion increase in the financial investment portfolio. Other assets (including intangible assets) rose 4.1% or by RM2.2 billion. This was partially offset by a 14.7% reduction in cash and short-term funds.

B) Total Loans, Advances and Financing

The Group's loans, advances and financing stood at RM337.1 billion as at 31 December 2018, increasing by 6.5% YoY or RM20.6 billion. Malaysia loans grew 10.5% during the year, while loans from Indonesia and Thailand were 1.8% and 7.8% higher YoY in Rupiah and Baht-terms respectively. Singapore loans expanded 5.3% in Dollar terms in FY18. The Group's gross impaired loans ratio declined to 2.9% as at end-2018 compared to 3.4% as at a year previously. Consumer and Wholesale Banking loans grew 7.4% and 8.3% respectively, while Commerical Banking loans were 2.1% higher YoY.

C) Other assets (including intangible assets)

The total amount of other assets increased by 4.1% YoY or RM2.2 billion to RM55.4 billion as at 31 December 2018 compared to RM53.2 billion as at end-FY17. The growth came from a combination of increases in reverse repurchase agreements and deferred tax assets, partially offset by decreases in non-current assets held for sale and goodwill.

D) Total Liabilities

As at 31 December 2018, the Group's total liabilities stood at RM481.5 billion, rising RM24.8 billion or 5.4% YoY. The increase was mainly due to the RM22.5 billion or 6.4% growth in deposit from customers and a RM2.6 billion or 6.2% YoY rise in other liabilities. This was partially offset by a 7.9% or RM1.2 billion reduction in bonds, Sukuk and debentures and RM0.8 billion or 7.5% reduction in other borrowings. The Group continues to maintain a conservative asset liability management strategy and is progressively lengthening deposit durations and reducing reliance on short term deposits.

E) Total Deposits from Customers

Total Group deposits from customers expanded by 6.4% YoY or a RM22.7 billion increase to RM379.7 billion as at 31 December 2018. Consumer Banking posted a 10.7% YoY growth in deposits, while Wholesale deposits were 6.4% higher. Commercial Banking deposits declined 9.8% YoY following the business recalibration in Thailand. Geographically, deposit growth was strong in Malaysia and Singapore at 6.9% and 6.5% in Ringgit and Dollar respectively. In local currency terms, Thailand and Indonesia deposits were 4.3% and 0.8% higher respectively. The Group's CASA ratio was lower at 32.7% as at end-2018 from 35.0% last year while overall Group net interest margin was lower at 2.50% in FY18.

F) Other liabilities

The total amount of other liabilities rose by 6.2% YoY or RM2.6 billion to RM45.1 billion as at 31 December 2018 compared to RM42.5 billion in FY17. The higher amount resulted from an increase in repurchase agreements and recourse obligation on loans and financing sold to Cagamas, partially offset by decrease in bills and acceptances payable and non-current liabilities held for sale.

CAPITAL MANAGEMENT

OVERVIEW

Capital management at CIMB Group remains focussed on maintaining a healthy capital position through building an efficient capital structure. The capital position and structure of the Group are designed to meet the requirements of shareholders, customers, regulators, external rating agencies, and other stakeholders. Guided by CIMB Group's Capital Management Framework, the objectives of capital management are as follows:

(1) To maintain a strong and efficient capital base for the Group and its entities to (a) always meet regulatory capital requirements; (b) realise returns for shareholders through sustainable return on equity and stable dividend payout; and (c) withstand stressed economic and market conditions.

(2) To allocate capital efficiently across the business units and subsidiaries to (a) support the organic growth of the Group's business units and subsidiaries; (b) take advantage of strategic acquisitions and new businesses when opportunities arise; and (c) optimise the return on capital for the Group.

(3) To maintain capital at optimal levels to meet the requirements of other Group stakeholders, including rating agencies and customers.

The Group's regulated banking entities have always maintained a set of internal capital targets which provide a strong buffer above the minimum regulatory requirements. The following table shows the relevant capital ratios of each of the regulated banking entities of the Group in comparison to the minimum level required by the respective central banks under the Basel III framework.

Capital Ratios (After Proposed Dividend)	Common Equity Tier 1 Capital		Tier 1 Capital		Total Capital	
	As at 31 December 2018	Minimum Regulatory Ratio	As at 31 December 2018	Minimum Regulatory Ratio	As at 31 December 2018	Minimum Regulatory Ratio
CIMB Bank	12.23%	4.50%	13.66%	6.00%	18.35%	8.00%
CIMB Islamic	13.50%	4.50%	14.03%	6.00%	16.19%	8.00%
CIMB Investment Bank Group	30.25%	4.50%	30.25%	6.00%	30.25%	8.00%
CIMB Niaga	17.97%	4.50%	17.97%	6.00%	19.20%	8.00%
CIMB Thai	13.32%	4.50%	13.32%	6.00%	18.69%	8.50%

KEY INITIATIVES

Our goal is to continuously build capital towards the full implementation of Basel III requirements, whilst optimising its use fully. Various tools are employed to achieve this, including:

(1) liability management to address capital instruments that are no longer compliant with the new Basel III guidelines;

(2) new Basel III instruments issuance;

(3) dividend reinvestment scheme (DRS);

(4) risk-weighted assets (RWA) optimisation; and

(5) Group-wide stress testing and impact assessment.

Key capital management initiatives that were undertaken during 2018 include:

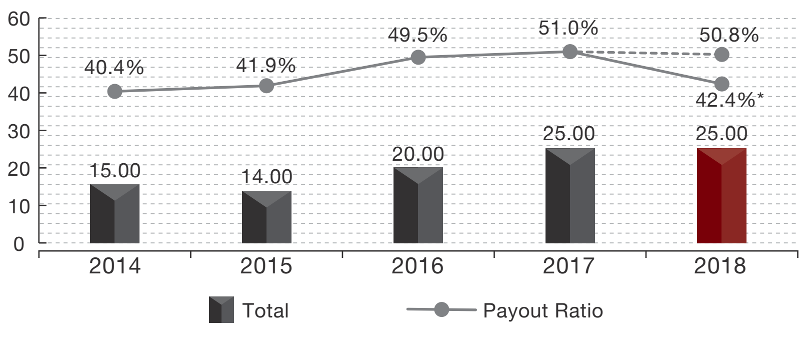
(1) The DRS was continued with a reinvestment rate averaging 83.7% in the year, reflecting investor confidence in the Group and generating an additional RM1.9 billion of capital.

(2) CIMB Group issued RM0.7 billion Basel III T2 Subordinated Debt on 29 March 2018, RM1.2 billion Basel III T2 Subordinated Debt on 13 September 2018 and RM1.0 billion Basel III AT1 Capital Securities on 23 October 2018.

(3) The continuing RWA optimisation initiatives during the year, largely through active loan portfolio rebalancing, system and data enhancements and parameter and methodology recalibrations.

DIVIDEND REINVESTMENT SCHEME

The DRS was implemented in 2013 to provide shareholders with an option to reinvest dividends into new ordinary shares of CIMB and at the same time to help preserve the Group's capital. It was first applied to the Group's second interim dividend for the 2012 financial year. The dividend reinvestment rate has been encouraging, with an average rate of 81.3% since inception.



** excluding the gain on sale of CPAM & CPIAM, the dividend payout ratio is 50.8%.*

DIVIDEND POLICY

For the financial year ended 31 December 2018, the first interim single tier dividend of 13.00 sen per ordinary share, on 9,365,794,381 ordinary shares amounted to RM1,217,553,269 was approved by the Board of Directors on 27 July 2018 and Bank Negara Malaysia on 29 August 2018. The dividend consisted of an electable portion of 13.00 sen per ordinary share which shareholders could elect to reinvest in new ordinary shares in accordance with the DRS. Following the completion of the DRS, a total cash dividend of RM166,641,187 was paid on 24 October 2018.

A second interim single tier dividend of 12.00 sen per ordinary share, on 9,564,454,510 ordinary shares amounting to RM1,147,734,541 in respect of the financial year ended 2018 was approved by the Board of Directors on 31 January 2019 and Bank Negara Malaysia on 25 February 2019. The second interim single tier dividend will be payable by May 2019 and will consist of an electable portion of 12.00 sen per ordinary share which shareholders can elect to reinvest in new ordinary shares in accordance with the DRS.

FINANCIAL CALENDAR

28 FEBRUARY 2018

Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2017

16 MARCH 2018

Notice of book closure for single tier second interim dividend of 12.00 sen per share for the financial year ended 31 December 2017

26 MARCH 2018

Notice of 61st Annual General Meeting

26 MARCH 2018

Issuance of Annual Report for the financial year ended 31 December 2017

30 MARCH 2018

Date of entitlement for the single tier second interim dividend of 12.00 sen per share for the financial year ended 31 December 2017

4 APRIL 2018

Notice of election in relation to the dividend reinvestment scheme. Scheme provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares of CIMB

26 APRIL 2018

61st Annual General Meeting

30 APRIL 2018

Payment of the single tier interim dividend of 12.00 sen per share for the financial year ended 31 December 2017

30 APRIL 2018

Additional listing of 140,251,847 new ordinary shares, via the Dividend Reinvestment Scheme

30 MAY 2018

Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2018

29 AUGUST 2018

Announcement of the unaudited consolidated financial results for the second quarter and half year ended 30 June 2018

7 SEPTEMBER 2018

Notice of book closure for the single tier first interim dividend of 13.00 sen per share for the financial year ending 31 December 2018

26 SEPTEMBER 2018

Date of entitlement for the single tier interim dividend of 13.00 sen per share for the financial year ending 31 December 2018

28 SEPTEMBER 2018

Notice of election in relation to the dividend reinvestment scheme. Scheme provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares in CIMB

24 OCTOBER 2018

Payment of the single tier interim dividend of 13.00 sen per share for the financial year ending 31 December 2018

24 OCTOBER 2018

Additional listing of 198,660,129 new ordinary shares via the dividend reinvestment scheme

29 NOVEMBER 2018

Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2018

28 FEBRUARY 2019

Announcement of the unaudited consolidated financial results for the fourth quarter ended 31 December 2018

2019 TENTATIVE DATES

29 MAY 2019

1Q19 Financial Results

28 AUGUST 2019

2Q19 Financial Results

27 NOVEMBER 2019

3Q19 Financial Results

FEBRUARY 2020

4Q19 Financial Results

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In Relation to Financial Statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act, 2016, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended.

The Directors consider that, in preparing the annual audited financial statements, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and ensured that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

For the financial year ended 31 December 2018

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year is investment holding. The principal activities of the significant subsidiaries as set out in Note 16 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management, stock and sharebroking and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit after taxation attributable to:		
– Owners of the Parent	5,583,510	2,472,923
– Non-controlling interests	79,843	–
	5,663,353	2,472,923

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2017 were as follows:

	RM'000
In respect of the financial year ended 31 December 2017: Dividend on 9,225,542,534 ordinary shares, paid on 30 April 2018 – single tier second interim dividend of 12.00 sen per ordinary share, consists of cash portion of 2.27 sen per ordinary shares and an electable portion of 9.73 sen per ordinary shares which was reinvested in new ordinary shares	1,107,065
In respect of the financial year ended 31 December 2018: Dividend on 9,365,794,381 ordinary shares, paid on 24 October 2018: – single tier first interim dividend of 13.00 sen per ordinary shares, consists of cash portion of 1.78 sen per ordinary shares and an electable portion of 11.22 sen per ordinary shares which was reinvested in new ordinary shares	1,217,553

The Directors have proposed a single tier second interim dividend of 12.00 sen per ordinary share under the Dividend Reinvestment Scheme ("DRS") as disclosed in Note 34(c), on 9,564,454,510 ordinary shares amounting to RM1,148 million in respect of the financial year ended 31 December 2018. The single tier second interim dividend was approved by the Board of Directors on 31 January 2019.

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2018.

RESERVES, PROVISIONS AND ALLOWANCES

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

ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid–up capital by 338,911,976 via:

(a) Issuance of 140,251,847 new ordinary shares arising from the DRS relating to electable portion of the second interim dividend of 12.00 sen in respect of financial year ended 31 December 2017, as disclosed in Note 47(a) to the Financial Statements; and

(b) Issuance of 198,660,129 new ordinary shares arising from the DRS relating to electable portion of the first interim dividend of 13.00 sen in respect of financial year ended 31 December 2018, as disclosed in Note 47(b) to the Financial Statements.

Directors' Report
For the financial year ended 31 December 2018

SHARE BUY-BACK AND CANCELLATION

During the financial year, the Company did not buy back any of its issued share capital from the open market. As at 31 December 2018, there were 4,908 ordinary shares held as treasury shares. Accordingly, the adjusted issued and paid–up share capital of the Company with voting rights as at 31 December 2018 was 9,564,454,510 shares.

The shares purchased are held as treasury shares in accordance with the provisions of Section 127 of the Companies Act, 2016.

SHARE–BASED EMPLOYEE BENEFIT PLAN

The Group's employee benefit schemes are explained in Note 49 to the Financial Statements.

BAD AND DOUBTFUL DEBTS, AND FINANCING

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

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

CURRENT ASSETS

Before the Financial Statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets might be expected so to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or the Company which has arisen since the end of the financial year other than in the ordinary course of business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 54 to the Financial Statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this Report is made other than those disclosed in Note 55 to the Financial Statements.

Directors' Report
For the financial year ended 31 December 2018

DIRECTORS

The Directors of the Company who have held office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Mohd Nasir Ahmad (Appointed as Chairman on 20 October 2018)
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz
Teoh Su Yin
Robert Neil Coombe
Dato' Lee Kok Kwan
Dato' Mohamed Ross bin Mohd Din
Ahmad Zulqarnain bin Che On
Afzal bin Abdul Rahim (Appointed on 31 January 2019)
Dato' Sri Mohamed Nazir bin Abdul Razak (Resigned on 19 October 2018)
Glenn Muhammad Surya Yusuf (Retired on 23 January 2019)
Watanan Petersik (Retired on 24 January 2019)

In accordance with Article 81 of the Constitution, the following Directors will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election:

Datuk Mohd Nasir Ahmad
Robert Neil Coombe

In accordance with Article 88 of the Constitution, the following Director will retire from the Board at the forthcoming AGM and being eligible, offer himself for re-election:

Afzal bin Abdul Rahim

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the beneficial interests of Directors who held office at the end of the financial year in the shares, share options and debentures of the Company or its subsidiaries during the financial year are as follows:

	Number of ordinary shares			
	As at 1 January	Acquired/ Granted	Disposed/ Vested	As at 31 December
CIMB Group Holdings Berhad				
Direct interest				
* Dato' Lee Kok Kwan	1,298,560	56,856[b]	–	1,355,416
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	1,544,581	985,978[a]	(482,681)[d]	2,047,878
** Teoh Su Yin	119,332	2,237[b]	(121,569)[c]	–

Note: Includes shareholding of spouse/child, details of which are as follows:

	Number of ordinary shares			
	As at 1 January	Acquired	Disposed	As at 31 December
* Datin Rosemary Yvonne Fong	84,930	3,718[b]	–	88,648
** Stephen John Watson Hagger	119,332	2,237[b]	(121,569)[c]	–

(a) Shares granted under Equity Ownership Plan ("EOP") and acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")
(b) Shares acquired by way of the exercise of DRS
(c) Shares disposed from open market
(d) Shares released from EOP account and transferred into Director's account

Directors' Report
For the financial year ended 31 December 2018

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES (CONTINUED)

	Number of shares held			
	As at 1 January	Granted	Disposed	As at 31 December
PT Bank CIMB Niaga Tbk				
Direct Interest				
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	60,031	–	–	60,031
* Dato' Lee Kok Kwan	427,305	–	–	427,305
** Teoh Su Yin	17,486	–	–	17,486

Note: Includes shareholding of spouse/child, details of which are as follows:

	Number of shares held			
	As at 1 January	Granted	Disposed	As at 31 December
* Datin Rosemary Yvonne Fong	12,445	–	–	12,445
** Stephen John Watson Hagger	17,486	–	–	17,486

	Debentures held			
	As at 1 January	Acquired	Disposed	As at 31 December
CIMB Group Holdings Berhad				
– Perpetual Subordinated Capital Securities				
Dato' Lee Kok Kwan	RM1,000,000	–	–	RM1,000,000
CIMB-Principal Asset Management Berhad				
– Private Equity Fund – CA SEASAF				
Dato' Lee Kok Kwan	RM142,703	–	–	RM142,703
PT Bank CIMB Niaga Tbk				
– Subordinated Notes				
Dato' Lee Kok Kwan	IDR5,000,000,000	–	–	IDR5,000,000,000

Other than as disclosed above, according to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares, options over shares and debentures in the Company, or shares, options over shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 44 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Equity Ownership Plan (see Note 49 to the Financial Statements) as disclosed in this Report.

SUBSIDIARIES

(a) Details of subsidiaries

Details of subsidiaries are as set out in Note 16 to the Financial Statements.

(b) Subsidiaries' holding of shares in other related corporations

Details of subsidiaries' holding of shares in other related corporations are as set out in Note 16 to the Financial Statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are as set out in Note 41 to the Financial Statements.

2018 BUSINESS PLAN AND STRATEGY

The Group's 2018 financial performance was predominantly dictated by developments in Malaysia, particularly the outcome and subsequent changes arising from the landmark GE14, as well as global events like the US-China trade war, the US government shutdown in end-2018, crude oil price gyration and the Brexit referendum, amongst many. Despite the dramatic political change, the Malaysian economy grew by a respectable 4.8% although the period of uncertainty brought about some volatility in the Ringgit and significant weakness in the equity and fixed income markets in the second half of 2018. Having recalibrated the regional business model under T18, the Group was in a stronger position to withstand the softer markets given the more robust risk management and governance frameworks in place. Management was mindful of credit growth, beefed up asset quality management and strengthened capital adequacy.

For 2018, the Group adopted the theme of "Exceed T18" to drive the Group towards the final year of the 5-year T18 initiative. The completed operational realignment and derived efficiencies had placed the Group in a prime position to meet and exceed the T18 targets. Among the more material strategic developments undertaken by the Group in 2018 were the completion of the disposal of 50% interest in the regional cash equities business and the shareholding realignment of the asset management business, completion of the acquisition of Jupiter Securities to pave the way for the completion of the Malaysian equities business, unveiling of CIMB Thai's Fast Forward initiative to reinvigorate growth, as well as the launch of CIMB Bank Philippines and the challenger digital banking proposition in both Vietnam and the Philippines.

The Group posted a 1.4% year on year (Y-o-Y) decline in revenue to RM17.4 billion. Net interest income (inclusive of net finance income and hibah from Islamic Banking operations) was 2.5% lower Y-o-Y at RM11.9 billion largely due to the 13bps Y-o-Y contraction in net interest margins (NIM) despite the growth in loans and financing. Non-interest income grew 1.1% Y-o-Y largely from the gains from disposal of interests in CIMB Principal Asset Management (CPAM), CIMB Principal Islamic Asset Management (CPIAM) and CIMB Securities International (CSI). The improved wealth management and bancassurance revenues were partially offset by weaker capital market activity in Malaysia. The Group's profit before tax (PBT) of RM7.2 billion increased 17.9% Y-o-Y mainly attributed to the 5.2% Y-o-Y decrease in overhead expenses and 34.9% Y-o-Y decline in loan loss and other provisions. Coupled with an increase in capital adequacy, the Group generated a net return on equity (ROE) of 11.4%.

The regional Consumer PBT rose 15.2% Y-o-Y to RM3.0 billion. The larger Malaysian Consumer operations were 2.3% higher Y-o-Y, while Indonesia saw a 191.0% increase in its Consumer PBT driven by loans growth and lower provisions. The Thai and Singapore Consumer operations improved 7.4% and 10.7% Y-o-Y respectively. The PBT for regional Wholesale Banking were 31.7% lower Y-o-Y at RM1.8 billion. Corporate Banking was lower from higher provisions while both Treasury & Markets and Investment Banking was weak due to the sharp decline in regional capital market activity in line with the political developments in Malaysia as well as slower economic activity within the region. The regional Commercial Banking was 180.1% higher Y-o-Y as completion of the business recalibration resulted in significantly lower provisions across all operating countries. CIMB Niaga's PBT expanded by 16.8% Y-o-Y to IDR4,851 billion on the back of some revenue growth, cost controls and lower loan provisions. CIMB Thai posted 44.6% decline in PBT to THB271 million mainly due to a 9.6% increase in operating costs. CIMB Singapore's PBT increased 23.7% to RM438 million from revenue growth and lower operating costs.

Excluding the bad bank, the Group's total gross loans was 7.0% higher Y-o-Y. After adjusting for foreign exchange fluctuations, the Group's total gross loans increased by 7.4% Y-o-Y. Consumer Banking loans increased 7.4% with Commercial Banking loans growing 2.1% and Wholesale Banking loans rising 8.3%. Total Group deposits grew by 6.3% Y-o-Y but were 6.8% higher Y-o-Y after excluding foreign exchange fluctuations. The Group's CASA (Current Account and Savings Account) ratio ended the year at 32.7% while overall net interest margin was lower at 2.50%.

The Group's cost to income ratio improved to 49.8% compared to 51.8% in FY17, from higher revenues and better cost management. The Group's loan loss provisions declined 35.8% Y-o-Y at RM1.432 billion in FY18 compared to RM2.231 billion in FY17. The Group's total loan loss charge was 0.41%. The Group's gross impairment ratio stood at 2.9% as at end-2018 from 3.4% as at end-2017, with an allowance coverage of 91.0%.

The Group announced a 42.4% dividend payout for FY18 by declaring total dividends amounting to RM2.4 billion or 25.00 sen per share. This was paid in two interim dividend payouts of 13.00 sen (paid in October 2018) and 12.00 sen to be paid by May 2019 with the option of either cash or via a Dividend Reinvestment Scheme (DRS).

OUTLOOK FOR 2019

The Group remains cautious for 2019 in view of the sustained external headwinds. Globally, economic and political developments will have an impact on the Group's operating markets. In addition, the Group is also watching elections and political developments in Indonesia and Thailand closely. Notwithstanding these uncertainties, the Group expects ASEAN's growth rate to remain robust. CIMB is now in its transformative growth phase, and is confident that its Forward23 five-year strategic plan will place the Group on a sustainable growth path, with a focus on advancing the interests of not only its customers, but also society.

Directors' Report
For the financial year ended 31 December 2018

RATINGS BY EXTERNAL RATING AGENCY

Details of the rating of the Company and its debt securities are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Moody's Investors Service (Moody's)	December 2018	1. Long-term Issuer Rating 2. Short-term Issuer Rating	Baa1 P–2	Stable
Malaysian Rating Corporation Berhad (MARC)	November 2018	1. Long-term Corporate Credit Rating 2. Short-term Corporate Credit Rating 3. RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme	AA+ MARC–1 AA	Stable
RAM Rating Services Berhad (RAM)	December 2018	1. Long-term Corporate Credit Rating 2. Short-term Corporate Credit Rating 3. RM6.0 billion Conventional/ Islamic Medium-term Notes Programme 4. RM3.0 billion Subordinated Notes Programme 5. RM6.0 billion Conventional Commercial Paper Programme 6. RM10.0 billion Additional Tier I Capital Securities Programme	AA1 P1 AA1 AA3 P1 A1	Stable

BOARD SHARIAH COMMITTEE

Pursuant to the enterprise wide Shariah governance framework as provided by Bank Negara Malaysia in its Guideline on Shariah Governance for Islamic Financial Institutions and now as enshrined in the effective Islamic Financial Services Act 2013, the Board of Directors (the "Board") is ultimately responsible and accountable for the oversight and management of Shariah matters in the operation of the Group's Islamic banking and finance activities. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group Holdings Berhad that it established under its core Islamic operating entity, CIMB Islamic Bank Berhad ("CIMB Islamic").

The main responsibility of the Board Shariah Committee is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the CIMB Group Holdings Berhad. The Board Shariah Committee operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

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

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

The members of the Board Shariah Committee are as follows:

1. Sheikh Professor Dr. Mohammad Hashim Kamali
2. Sheikh Dr. Nedham Yaqoobi
3. Sheikh Associate Professor Dr. Shafaai bin Musa
4. Sheikh Professor Dr. Yousef Abdullah Al Shubaily
5. Associate Professor Dr. Aishath Muneeza (appointed on 13 April 2018)
6. Sheikh Yang Amat Arif Professor Adjung Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar (contract of appointment expired on 13 June 2018)

The Board hereby affirms based on advice of the Board Shariah Committee that the Group's Islamic banking and finance operations has been done in a manner that does not contradict with Shariah save and except for those that have been specifically disclosed in this financial report (if any). This affirmation by the Board is independently verified and confirmed by the Board Shariah Committee in a separate Board Shariah Committee Report made herein.

ZAKAT OBLIGATIONS

CIMB Islamic Bank Berhad pays business zakat by adopting the Adjusted Growth Method to state zakat authorities in line with the methodology approved by Board Shariah Committee. However, the amount payable by the CIMB Islamic Bank Berhad is at the discretion of the management of CIMB Islamic Bank Berhad and it is the shareholder's responsibility to ensure that their own zakat obligation are fulfilled in relation to their ownership of the share.

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 54 to the Financial Statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR END

Subsequent events after the financial year are disclosed in Note 55 to the Financial Statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401–LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 11 March 2019.

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

Datuk Mohd Nasir Ahmad
Chairman

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz
Director

Kuala Lumpur
11 March 2019

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, Datuk Mohd Nasir Ahmad and Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz, being two of the Directors of CIMB Group Holdings Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 28 to 309 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and financial performance of the Group and of the Company for the financial year ended 31 December 2018, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

Datuk Mohd Nasir Ahmad
Chairman

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz
Director

Kuala Lumpur
11 March 2019

STATUTORY DECLARATION

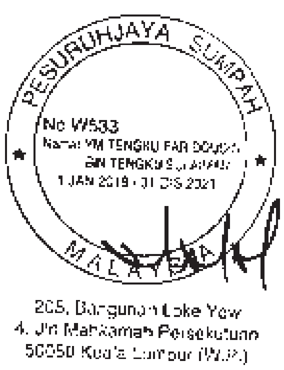
Pursuant to Section 251(1) of the Companies Act, 2016

I, Khairulanwar bin Rifaie, being the officer primarily responsible for the financial management of CIMB Group Holdings Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 28 to 309 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Khairulanwar bin Rifaie

Subscribed and solemnly declared by the abovenamed Khairulanwar bin Rifaie at Kuala Lumpur before me, on 11 March 2019.

Commissioner for Oaths



BOARD SHARIAH COMMITTEE'S REPORT

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

We, the members of the CIMB Group Board Shariah Committee as established under CIMB Islamic Bank Berhad ("CIMB Islamic"), are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Group's Islamic banking and finance activities. Although the Board is ultimately responsible and accountable for all Shariah matters under the Group, the Board relies on our independent advice on the same.

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

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

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

In making our independent assessment and confirmation, we have always recognised the importance of CIMB Group maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the Shariah compliant status of its Islamic banking and finance businesses.

In this regard sufficient internal controls are in place to ensure that any new Islamic financial transaction is properly authorised; the group's assets and liabilities under its statements of financial position are safeguarded against possible Shariah non-compliance; and, that the day to day conduct of its operations does not contradict Shariah principles.

In addition to the necessary policies and procedures, the Bank has a well-defined division of responsibility and guidelines of business conduct to all staff.

Effective Shariah governance is supported by a professional staff of Shariah researchers as well as the advisory and consultancy function that supports us in our decision and deliberations, providing check and balance for all Shariah matters as presented to us by the Management. CIMB Group Shariah Review Policy and Procedures were established to set out policies for Shariah review function encompassing regular examination and evaluation of the Bank's level of compliance to the Shariah requirements, remedial rectification measures to resolve non–compliances and control mechanisms to avoid recurrences. In addition, the Shariah Review Procedures sets out the procedures for Shariah review execution, responsibilities of stakeholders and internal reporting process relating to Shariah non-compliance events, in line with BNM's requirements.

In ensuring that the activities and operations of CIMB Group are Shariah-compliant, Shariah Review conducts post review of CIMB Group's activities and operations in accordance with the annual Shariah review work plan approved by us and the respective Boards of Directors of CIMB Group. Additionally, Shariah Review conducts investigations on issues escalated by the stakeholders and performs ad-hoc review as required from time to time by us and the regulators. As for effective risk management and control, the Group adopted the strategic implementation of tiered model i.e. Three Lines of Risk Defense in governing and managing Shariah Non Compliant risk. Lastly, there is also a team of internal auditors who conduct periodic Shariah audits of all the Group's Islamic banking and finance operations on a scheduled and periodic basis.

All in all, the Management of the Group is responsible and accountable to the Board to ensure that the Islamic banking and finance businesses of CIMB Group are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Group has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us (excluding PT Bank CIMB Niaga Tbk).

Board Shariah Committee's Report
For the financial year ended 31 December 2018

In our opinion:

1. The contracts, transactions and dealings entered into by the Group during the financial year ended 31 December 2018 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah;
3. All earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes; and
4. The zakat calculation is in compliance with Shariah principles.

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

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Group for the financial year ended 31 December 2018 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee

Sheikh Professor Dr. Mohammad Hashim Kamali
Member

Sheikh Associate Professor Dr. Shafaai bin Musa
Member

Kuala Lumpur
11 March 2019

INDEPENDENT AUDITORS' REPORT

to the members of CIMB Group Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the Financial Statements of CIMB Group Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the Financial Statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, as set out on pages 28 to 309.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the Financial Statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By–Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By–Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the Financial Statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report
to the members of CIMB Group Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Group key audit matters

Key audit matters	How our audit addressed the key audit matters

Assessment of the carrying value of loans, advances and financing, and their impairment
 	
Refer to accounting policy I(i) and Notes 12, 42, 57(a) and 60 of the Financial Statements.
 	
We focused on this area due to the size of the carrying value of loans, advances and financing, which represented 63% of total assets of the Group.
 	
The Group adopted MFRS 9 – "Financial Instruments", with a date of transition of 1 January 2018. MFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This is a new and complex accounting standard which has required considerable judgement and interpretation in its implementation.
 	
The significant judgements in applying the accounting requirements for measuring ECL include the following:
 	
• Building the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of the model;
• Identification of loans, advances and financing that have experienced a significant increase in credit risk; and
• Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and data sets.
	We performed the following audit procedures:
	
	Individual assessment
	
	• Understood and tested the relevant controls over identification of loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment and the calculation of the impairment loss.
	• Examined a sample of loans, advances and financing and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment.
	• Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed.
	
	Collective assessment
	
	• Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9;
	• Tested the design and operating effectiveness of the controls relating to:
	  – Governance over ECL methodology and model development, including model build, model approval and model validation; and
	  – Data used to determine the allowances for credit losses.
	• Assessed and tested the significant modelling assumptions;
	• Assessed and considered reasonableness of forward-looking forecasts assumptions; and
	• Checked the accuracy of data and calculation of the ECL amount, on a sample basis.
	
	We have checked the impact of adoption of MFRS 9 on date of transition and provided status updates to the Audit Committee during the financial year due to the complexity and size of the implementation. The assessment and conclusion on the more judgmental interpretations made by management was shared with the Audit Committee.
	
	There were instances where proxies were applied to the ECL calculations. In these instances, the quantum of impairment required was different from that determined by management.
	
	Based on the procedures performed on individual and collective assessment, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Group key audit matters (Continued)

Key audit matters	How our audit addressed the key audit matters
Accounting and valuation for complex financial instruments Refer to accounting policy Q and Notes 57(c), 61.4.1 and 61.4.3 of the Financial Statements. We focused on this area as the accounting and valuation for certain financial instruments, particularly complex derivatives, were based on significant judgements and estimates made by the Group. The fair value of these complex derivatives is determined using a variety of valuation methodologies that use observable market data where possible. Where observable market data are not available, management exercised judgement in establishing fair values.	**We performed the following audit procedures:** • Examined a sample of complex financial instruments to understand the contractual terms of these instruments. We read and discussed with management the relevant analyses on the contractual terms and accounting treatment proposed by management, including the reasons for entering into these complex financial instruments. • Checked that the accounting recognition and measurement for these complex financial instruments are consistent with the accounting standards and relevant disclosures have been made in the Financial Statements. • Compared the key inputs used by the Group to measure the complex derivatives against observable market data. • Performed an independent valuation of a sample of complex derivatives. Based on the procedures performed, we did not find any material exceptions in the accounting for and estimates used in the valuation of these complex financial instruments.
Assessment of the carrying value of goodwill and its impairment Refer to accounting policy M(a), V and Notes 22 and 57(b) of the Financial Statements. The Group recorded goodwill of RM7,680 million as at 31 December 2018 which arose from a number of acquisitions in prior years. For purposes of the annual impairment assessment of goodwill, the Group has assessed the recoverable amount of each cash generating unit ("CGU") with allocated goodwill based on the higher of the value-in-use ("VIU") and fair value less cost of disposal. The Group determined that the recoverable amount of all CGUs was based on VIU which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgement on both future cash flows and the discount rate applied to the future cash flows. Therefore, the extent of judgement and the size of the goodwill resulted in this matter being identified as an area of audit focus.	**We performed the following audit procedures:** • Assessed that each CGU represents the smallest identifiable group of assets that generate independent cash flows based on our understanding of the business model of the Group. • Compared the cash flow projection of each CGU to the approved budget for the respective CGU. • Compared previous cash flow projections to actual results of each CGU to assess the reasonableness of assumptions used in the cash flow projections. • Independently computed discount rates which reflect the specific risks relating to each CGU based on publicly available information. • Assessed the reasonableness of the terminal growth rates based on historical results, economic outlook and industry forecasts. • Independently performed a sensitivity analysis over terminal growth rates and discount rates used in deriving the VIU to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of each CGU. Based on the procedures performed, we did not find any material exceptions to the conclusions made by the Group on the impairment assessment of goodwill as at 31 December 2018.

There are no key audit matters to report for the Company.

Information other than the Financial Statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Statement of Directors' Responsibilities, Directors' Report and Board Shariah Committee's Report, which we obtained prior to the date of this auditors' report, and 2018 Annual Report, which is expected to be made available to us after that date. Other information does not include the Financial Statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the Financial Statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report
to the members of CIMB Group Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the Financial Statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the Financial Statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the Financial Statements of the Group and of the Company, including the disclosures, and whether the Financial Statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Financial Statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the Financial Statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers PLT
(LLP0014401–LCA & AF 1146)
Chartered Accountants

Sridharan Nair
02656/05/2020 J
Chartered Accountant

Kuala Lumpur
11 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	2018 RM'000	2017 RM'000
Assets			
Cash and short-term funds	2(a)	**35,528,934**	41,667,884
Reverse repurchase agreements	3	**11,276,089**	6,484,687
Deposits and placements with banks and other financial institutions	2(b)	**4,373,818**	4,055,330
Financial assets at fair value through profit or loss	4	**29,511,069**	–
Debt instruments at fair value through other comprehensive income	5	**32,276,304**	–
Equity instruments at fair value through other comprehensive income	6	**583,524**	–
Debt instruments at amortised cost	7	**39,269,202**	–
Financial assets held for trading	8	**–**	21,657,212
Derivative financial instruments	11	**8,634,633**	8,447,957
Financial investments available-for-sale	9	**–**	32,403,986
Financial investments held-to-maturity	10	**–**	36,921,215
Loans, advances and financing	12	**337,148,268**	316,557,012
Other assets	13	**12,206,211**	12,147,332
Tax recoverable		**317,020**	129,072
Deferred tax assets	14	**1,052,808**	386,850
Statutory deposits with central banks	15	**8,139,164**	8,630,454
Investment in associates	17	**74,896**	76,199
Investment in joint ventures	18	**1,639,470**	183,731
Property, plant and equipment	19	**2,257,200**	1,991,646
Prepaid lease payments	21	**91,686**	101,913
Goodwill	22	**7,680,096**	8,225,745
Intangible assets	23	**1,708,484**	1,820,369
		533,768,876	501,888,594
Non-current assets held for sale	58	**320,167**	4,610,938
Total assets		**534,089,043**	506,499,532
Liabilities			
Deposits from customers	24	**370,193,085**	348,518,277
Investment accounts of customers	25	**1,769,270**	907,763
Deposits and placements of banks and other financial institutions	26	**20,232,880**	19,751,576
Repurchase agreements		**14,279,476**	6,122,273
Financial liabilities designated at fair value through profit or loss	27	**5,880,707**	4,773,440
Derivative financial instruments	11	**8,407,981**	8,751,383
Bills and acceptances payable		**2,521,372**	3,177,182
Other liabilities	28	**15,047,292**	17,789,579
Recourse obligation on loans and financing sold to Cagamas	29	**6,007,447**	5,195,248
Provision for taxation		**539,823**	507,940
Deferred tax liabilities	14	**30,175**	80,943
Bonds, Sukuk and debentures	31	**13,715,181**	14,895,625
Other borrowings	32	**9,306,640**	10,057,295
Subordinated obligations	33	**13,482,272**	12,532,965
		481,413,601	453,061,489
Non-current liabilities held for sale	58	**87,471**	3,631,608
Total liabilities		**481,501,072**	456,693,097

Consolidated Statement of Financial Position
as at 31 December 2018

	Note	2018 RM'000	2017 RM'000
Equity			
Capital and reserves attributable to owners of the Parent			
Ordinary share capital	34	**24,131,750**	22,183,226
Reserves	36	**27,243,151**	26,062,859
Less: Shares held under trust	37(a)	**(563)**	(563)
Treasury shares, at cost	37(b)	**(43)**	(43)
		51,374,295	48,245,479
Perpetual preference shares	35	**200,000**	200,000
Non-controlling interests		**1,013,676**	1,360,956
Total equity		**52,587,971**	49,806,435
Total equity and liabilities		**534,089,043**	506,499,532
Commitments and contingencies	52	**1,129,138,654**	875,879,316
Net assets per share attributable to owners of the Parent (RM)		**5.37**	5.23

CONSOLIDATED STATEMENT OF INCOME

for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Interest income	38(a)	**18,571,333**	19,508,690
Interest income for financial assets at fair value through profit or loss	38(b)	**667,458**	–
Interest expense	39	**(9,604,351)**	(9,049,593)
Net interest income		**9,634,440**	10,459,097
Income from Islamic banking operations	62	**2,610,161**	2,131,813
Net non-interest income	40	**5,137,367**	5,035,586
		17,381,968	17,626,496
Overheads	41	**(8,655,821)**	(9,133,575)
Profit before expected credit losses/allowances		**8,726,147**	8,492,921
Expected credit losses/allowance for impairment losses on loans, advances and financing	42	**(1,432,661)**	(2,230,907)
Expected credit losses/allowance written back for commitments and contingencies	28	**7,427**	10,364
Other expected credit losses/allowance for other impairment losses	43	**(134,500)**	(175,167)
		7,166,413	6,097,211
Share of results of joint ventures	18	**30,678**	12,895
Share of results of associates	17	**3,576**	(121)
Profit before taxation and zakat		**7,200,667**	6,109,985
Taxation and zakat			
– Company and subsidiaries	45	**(1,537,314)**	(1,502,019)
Profit for the financial year		**5,663,353**	4,607,966
Profit attributable to:			
Owners of the Parent		**5,583,510**	4,475,175
Non-controlling interests		**79,843**	132,791
		5,663,353	4,607,966
Earnings per share attributable to ordinary equity holders of the Parent (sen)			
– Basic	46	**59.67**	49.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

	2018 RM'000	2017 RM'000
Profit for the financial year	**5,663,353**	4,607,966
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation	**58,527**	(53,392)
– Actuarial gain/(loss)	**77,902**	(50,252)
– Income tax effects	**(19,190)**	(1,988)
– Currency translation difference	**(185)**	(1,152)
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	**6,171**	–
Equity instruments at fair value through other comprehensive income	**(8,335)**	–
– Net gain from change in fair value	**13,057**	–
– Income tax effects	**(19,770)**	–
– Currency translation difference	**(1,622)**	–
	56,363	(53,392)
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income	**(226,943)**	–
– Net loss from change in fair value	**(221,195)**	–
– Realised gain transferred to statement of income on disposal	**(46,686)**	–
– Changes in expected credit losses	**(2,600)**	–
– Income tax effects	**43,999**	–
– Currency translation difference	**(461)**	–
Revaluation reserve-financial investments available-for-sale	**–**	373,584
– Net gain from change in fair value	**–**	579,942
– Realised gain transferred to statement of income on disposal and impairment	**–**	(156,244)
– Income tax effects	**–**	(56,850)
– Currency translation difference	**–**	6,736
Net investment hedge	**(19,506)**	393,257
Hedging reserve – cash flow hedge	**6,436**	7,498
– Net gain from change in fair value	**8,052**	10,295
– Income tax effects	**(1,616)**	(2,797)
Deferred hedging cost	**47,318**	–
Exchange fluctuation reserve	**9,068**	(2,121,728)
Share of other comprehensive income/(expense) of		
– Associates	**(8,469)**	2,712
– Joint ventures	**65,168**	(58)
	(126,928)	(1,344,735)
Other comprehensive expense during the financial year, net of tax	**(70,565)**	(1,398,127)
Total comprehensive income for the financial year	**5,592,788**	3,209,839
Total comprehensive income attributable to:		
Owners of the Parent	**5,546,872**	3,162,280
Non-controlling interests	**45,916**	47,559
	5,592,788	3,209,839

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	2018 RM'000	2017 RM'000
Assets			
Cash and short-term funds	2(a)	**197,548**	182,809
Debt instruments at fair value through other comprehensive income	5	**2,467,071**	–
Debt instruments at amortised cost	7	**5,397,933**	–
Financial investments available-for-sale	9	**–**	1,433,024
Financial investments held-to-maturity	10	**–**	3,518,264
Other assets	13	**135,486**	42,195
Tax recoverable		**180,853**	109,243
Investment in subsidiaries	16	**29,833,969**	27,052,448
Investment in associates	17	**3,834**	3,834
Property, plant and equipment	19	**1,703**	1,117
Investment properties	20	**399**	417
		38,218,796	32,343,351
Non-current assets held for sale	58	**7,862**	1,038,859
Total assets		**38,226,658**	33,382,210
Liabilities			
Other liabilities	28	**2,450**	1,717
Amount owing to subsidiaries		**1,819**	–
Deferred tax liabilities	14	**374**	361
Other borrowings	32	**3,353,526**	3,553,113
Subordinated obligations	33	**9,841,811**	6,904,556
Total liabilities		**13,199,980**	10,459,747
Equity			
Ordinary share capital	34	**24,131,750**	22,183,226
Reserves	36	**894,971**	739,280
Less: Treasury shares, at cost	37(b)	**(43)**	(43)
Total equity		**25,026,678**	22,922,463
Total equity and liabilities		**38,226,658**	33,382,210

COMPANY STATEMENT OF INCOME

for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Interest income	38(a)	**339,575**	204,824
Interest expense	39	**(582,755)**	(470,471)
Net interest expense		**(243,180)**	(265,647)
Net non-interest income	40	**2,789,753**	1,831,118
		2,546,573	1,565,471
Overheads	41	**(35,205)**	(13,519)
Profit before expected credit losses/allowances		**2,511,368**	1,551,952
Other expected credit losses/allowance for other impairment losses	43	**(31,477)**	(22,265)
Profit before taxation		**2,479,891**	1,529,687
Taxation	45	**(6,968)**	(2,332)
Profit for the financial year		**2,472,923**	1,527,355

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

	2018 RM'000	2017 RM'000
Profit for the financial year	**2,472,923**	1,527,355
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income	**33,940**	–
– Net loss from change in fair value	**23,472**	–
– Changes in expected credit losses	**10,468**	–
Revaluation reserve-financial investments available-for-sale	**–**	1,213
– Net gain from change in fair value	**–**	1,213
Other comprehensive income during the financial year, net of tax	**33,940**	1,213
Total comprehensive income for the financial year	**2,506,863**	1,528,568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

		Attributable to owners of the Parent																
The Group	Note	Ordinary share capital RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve – financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2018		22,183,226	131,155	137,104	423,263	(563)	(43)	-	-	499,476	(1,374,602)	60,002	1,502,520	24,683,941	48,245,479	200,000	1,360,956	49,806,435
– Effect of adopting MFRS 9	60	-	-	-	-	-	-	(72,914)	(198,038)	(499,476)	(4,157)	-	16,511	(1,056,366)	(1,814,440)	-	(77,722)	(1,892,162)
At 1 January 2018, as restated		22,183,226	131,155	137,104	423,263	(563)	(43)	(72,914)	(198,038)	-	(1,378,759)	60,002	1,519,031	23,627,575	46,431,039	200,000	1,283,234	47,914,273
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	-	5,583,510	5,583,510	-	79,843	5,663,353
Other comprehensive income/(expense) (net of tax)		-	161	-	91,056	-	-	(215,380)	(8,671)	-	96,936	(740)	-	-	(36,638)	-	(33,927)	(70,565)
Debt instruments at fair value through other comprehensive income		-	-	-	-	-	-	(215,379)	-	-	-	-	-	-	(215,379)	-	(11,564)	(226,943)
Equity instruments at fair value through other comprehensive income		-	-	-	-	-	-	-	(8,181)	-	-	-	-	-	(8,181)	-	(154)	(8,335)
Fair value changes on financial liabilities designated at fair value relating to own credit risk		-	-	-	-	-	-	-	-	-	6,171	-	-	-	6,171	-	-	6,171
Net investment hedge		-	-	-	-	-	-	-	-	-	(19,506)	-	-	-	(19,506)	-	-	(19,506)
Hedging reserve – cash flow hedge		-	-	-	-	-	-	-	-	-	6,436	-	-	-	6,436	-	-	6,436
Deferred hedging cost		-	-	-	-	-	-	-	-	-	47,318	-	-	-	47,318	-	-	47,318
Remeasurement of post employment benefits obligations		-	-	-	-	-	-	-	-	-	58,527	-	-	-	58,527	-	-	58,527
Currency translation difference		-	161	-	31,254	-	-	-	-	-	(135)	(3)	-	-	31,277	-	(22,209)	9,068
Share of other comprehensive (expense)/income of																		
– Associates		-	-	-	(8,469)	-	-	-	-	-	-	-	-	-	(8,469)	-	-	(8,469)
– Joint ventures		-	-	-	68,271	-	-	(1)	(490)	-	(1,875)	(737)	-	-	65,168	-	-	65,168
Total comprehensive income/(expense) for the financial year		-	161	-	91,056	-	-	(215,380)	(8,671)	-	96,936	(740)	-	5,583,510	5,546,872	-	45,916	5,592,788
Second interim dividend for the financial year ended 31 December 2017	47	-	-	-	-	-	-	-	-	-	-	-	-	(1,107,065)	(1,107,065)	-	-	(1,107,065)
First interim dividend for the financial year ended 31 December 2018	47	-	-	-	-	-	-	-	-	-	-	-	-	(1,217,553)	(1,217,553)	-	-	(1,217,553)

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2018

		Attributable to owners of the Parent																
The Group	Note	Ordinary share capital RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve – financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,798)	(12,798)
Transfer to statutory reserve		-	649	-	-	-	-	-	-	-	-	-	-	(649)	-	-	-	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	-	-	-	-	23,957	(23,957)	-	-	-	-
Issuance of shares arising from:																		
– dividend reinvestment scheme	34	1,948,524	-	-	-	-	-	-	-	-	-	-	-	-	1,948,524	-	-	1,948,524
Rights issue of a subsidiary		-	-	-	-	-	-	-		-	-	-	-	-	-	-	1,845	1,845
Share-based payment expense	49	-	-	-	-	-	-	-	-	-	-	76,970	-	-	76,970	-	-	76,970
Purchase of shares in relation to Equity Ownership Plan ("EOP")		-	-	-	-	-	-	-	-	-	(70,195)	-	-	-	(70,195)	-	-	(70,195)
Shares released under EOP		-	-	-	-	-	-	-	-	-	59,437	(58,663)	-	-	774	-	-	774
Contributions by Non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	79,392	79,392
Disposal of subsidiaries		-	(1,681)	-	(231,926)	-	-	-	(977)	-	-	(3,576)	(12)	(3,779)	(241,951)	-	(371,503)	(613,454)
Arising from accretion of equity interests in subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	6,880	6,880	-	(6,880)	-
Non-controlling interests share of subsidiary treasury shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,530)	(5,530)
Total transactions with owners/other equity movements, recognised directly in equity		1,948,524	(1,032)	-	(231,926)	-	-	-	(977)	-	(10,758)	14,731	23,945	(2,346,123)	(603,616)	-	(315,474)	(919,090)
At 31 December 2018		24,131,750	130,284	137,104	282,393	(563)	(43)	(288,294)	(207,686)	-	(1,292,581)	73,993	1,542,976	26,864,962	51,374,295	200,000	1,013,676	52,587,971

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2018

		Attributable to owners of the Parent															
The Group	Note	Ordinary share capital RM'000	Share premium -ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2017		8,868,384	11,476,201	6,576,724	137,104	2,447,052	(563)	(43)	134,247	(1,710,752)	51,447	1,321,640	16,006,734	45,308,175	200,000	1,570,983	47,079,158
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	4,475,175	4,475,175	-	132,791	4,607,966
Other comprehensive income/(expense) (net of tax)		-	-	(196)	-	(2,023,789)	-	-	365,229	347,363	(1,502)	-	-	(1,312,895)	-	(85,232)	(1,398,127)
Financial investments available-for-sale		-	-	-	-	-	-	-	365,229	-	-	-	-	365,229	-	8,355	373,584
Net investment hedge		-	-	-	-	-	-	-	-	393,257	-	-	-	393,257	-	-	393,257
Hedging reserve – cash flow hedge		-	-	-	-	-	-	-	-	7,498	-	-	-	7,498	-	-	7,498
Remeasurement of post employment benefits obligations		-	-	-	-	-	-	-	-	(53,392)	-	-	-	(53,392)	-	-	(53,392)
Currency translation difference		-	-	(196)	-	(2,026,443)	-	-	-	-	(1,502)	-	-	(2,028,141)	-	(93,587)	(2,121,728)
Share of other comprehensive income/ (expense) of																	
– Associate		-	-	-	-	-	-	-	2,712	-	-	-	-	2,712	-	-	2,712
– Joint venture		-	-	-	-	2,654	-	-	(2,712)	-	-	-	-	(58)	-	-	(58)
Total comprehensive (expense)/income for the financial year		-	-	(196)	-	(2,023,789)	-	-	365,229	347,363	(1,502)	-	4,475,175	3,162,280	-	47,559	3,209,839
Transition to no-par value regime on 31 January 2017 **		11,476,201	(11,476,201)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Second interim dividend for the financial year ended 31 December 2016	47	-	-	-	-	-	-	-	-	-	-	-	(1,064,206)	(1,064,206)	-	-	(1,064,206)
First interim dividend for the financial year ended 31 December 2017	47	-	-	-	-	-	-	-	-	-	-	-	(1,176,774)	(1,176,774)	-	-	(1,176,774)

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2018

		Attributable to owners of the Parent															
The Group	Note	Ordinary share capital RM'000	Share premium -ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve – financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(32,017)	(32,017)
Transfer from statutory reserve	36(a)	-	-	(6,444,510)	-	-	-	-	-	-	-	-	6,444,510	-	-	-	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	-	-	-	180,880	(180,880)	-	-	-	-
Issuance of shares arising from:																	
– dividend reinvestment scheme	34	1,838,641	-	-	-	-	-	-	-	-	-	-	-	1,838,641	-	-	1,838,641
Share-based payment expense	49	-	-	-	-	-	-	-	-	-	56,617	-	-	56,617	-	-	56,617
Purchase of shares in relation to Equity Ownership Plan ("EOP")		-	-	-	-	-	-	-	-	(63,995)	-	-	-	(63,995)	-	-	(63,995)
Shares released under EOP		-	-	-	-	-	-	-	-	52,782	(46,560)	-	-	6,222	-	-	6,222
Contributions by non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,003	28,003
Liquidation of subsidiaries		-	-	(863)	-	-	-	-	-	-	-	-	-	(863)	-	-	(863)
Arising from dilution/disposal of equity interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	179,382	179,382	-	(180,957)	(1,575)
Non-controlling interests share of subsidiary treasury shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(72,615)	(72,615)
Total transactions with owners/other equity movements, recognised directly in equity		1,838,641	-	(6,445,373)	-	-	-	-	-	(11,213)	10,057	180,880	4,202,032	(224,976)	-	(257,586)	(482,562)
At 31 December 2017		22,183,226	-	131,155	137,104	423,263	(563)	(43)	499,476	(1,374,602)	60,002	1,502,520	24,683,941	48,245,479	200,000	1,360,956	49,806,435

** *The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM11,476,201,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act 2016, on 31 January 2017 any amount standing to the credit of the Company's share premium account has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. Refer to Note 34.*

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

			Non-distributable				Distributable	
The Company	Note	Ordinary share capital RM'000	Capital reserve RM'000	Treasury shares RM'000	Fair value reserve – debt instruments at fair value through other comprehensive income RM'000	Revaluation reserve – financial investments available-for-sale RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018		22,183,226	55,982	(43)	–	26,619	656,679	22,922,463
– Effect of adopting MFRS 9	60	–	–	–	37,195	(26,619)	(37,130)	(26,554)
At 1 January 2018, as restated		22,183,226	55,982	(43)	37,195	–	619,549	22,895,909
Profit for the financial year		–	–	–	–	–	2,472,923	2,472,923
Other comprehensive income (net of tax)		–	–	–	33,940	–	–	33,940
Debt instruments at fair value through other comprehensive income		–	–	–	33,940	–	–	33,940
Total comprehensive income for the financial year		–	–	–	33,940	–	2,472,923	2,506,863
Second interim dividend for the financial year ended 31 December 2017	47	–	–	–	–	–	(1,107,065)	(1,107,065)
First interim dividend for the financial year ended 31 December 2018	47	–	–	–	–	–	(1,217,553)	(1,217,553)
Issue of share capital arising from:								
– dividend reinvestment plan	34	1,948,524	–	–	–	–	–	1,948,524
At 31 December 2018		24,131,750	55,982	(43)	71,135	–	767,854	25,026,678

Company Statement of Changes in Equity
for the financial year ended 31 December 2018

			Non–distributable				Distributable	
The Company	**Note**	**Ordinary share capital RM'000**	**Share premium RM'000**	**Capital reserve RM'000**	**Treasury Shares RM'000**	**Revaluation reserve – financial investments available-for-sale RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2017		8,868,384	11,476,201	55,982	(43)	25,406	1,370,304	21,796,234
Profit for the financial year		–	–	–	–	–	1,527,355	1,527,355
Other comprehensive income (net of tax)		–	–	–	–	1,213	–	1,213
Financial investments available-for-sale		–	–	–	–	1,213	–	1,213
Total comprehensive income for the financial year		–	–	–	–	1,213	1,527,355	1,528,568
Transition to no-par value regime on 31 January 2017**		11,476,201	(11,476,201)	–	–	–	–	–
Second interim dividend for the financial year ended 31 December 2016	47	–	–	–	–	–	(1,064,206)	(1,064,206)
First interim dividend for the financial year ended 31 December 2017	47	–	–	–	–	–	(1,176,774)	(1,176,774)
Issue of share capital arising from: – dividend reinvestment plan	34	1,838,641	–	–	–	–	–	1,838,641
At 31 December 2017		22,183,226	–	55,982	(43)	26,619	656,679	22,922,463

** *The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM11,476,201,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act 2016, on 31 January 2017 any amount standing to the credit of the Company's share premium account has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. Refer to Note 34.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Operating Activities			
Profit before taxation and zakat		**7,200,667**	6,109,985
Adjustments for:			
Accretion of discounts less amortisation of premiums	38	**(121,986)**	1,963
Amortisation of prepaid lease payments	41	**10,230**	11,187
Allowance made for impairment losses on other receivables	43	**–**	76,103
Allowance made for other impairment losses	43	**–**	99,064
Other expected credit losses	43	**134,500**	–
Expected credit losses/allowance made for impairment losses on loans, advances and financing	42	**2,040,919**	2,747,518
Expected credit losses written back for commitments and contingencies	28(a)	**(7,427)**	(10,364)
Amortisation of intangible assets	41	**356,587**	345,470
Depreciation of property, plant and equipment	41	**296,558**	352,028
Dividends from financial assets at fair value through profit or loss	40	**(53,512)**	–
Dividends from debt instruments at fair value through other comprehensive income	40	**(16)**	–
Dividends from equity instruments at fair value through other comprehensive income	40	**(4,456)**	–
Dividends from financial investments available-for-sale	40	**–**	(31,788)
Dividends from financial assets held-for-trading	40	**–**	(58,550)
Gain on disposal of associates and joint ventures	40	**(2,693)**	(46,020)
Loss on deemed disposal/disposal of interest in subsidiaries	40	**103,542**	7,699
Gain on disposal of property, plant and equipment/assets held for sale	40	**(20,785)**	(25,659)
Gain on disposal of leased assets	40	**–**	(212)
Gain on remeasurement of equity interests retained as joint venture	40	**(1,192,262)**	–
Loss on sale of financial assets at fair value through profit or loss	40	**637,363**	–
Gain on sale of debt instruments at fair value through other comprehensive income	40	**(38,448)**	–
Loss on redemption of debt instruments at amortised cost	40	**811**	–
Gain on sale of financial investments available-for-sale	40	**–**	(174,206)
Gain on sale of financial assets held for trading	40	**–**	(242,107)
Gain on sale of derivative financial instruments	40	**(1,339,889)**	(579,429)
Loss on disposal of foreclosed properties	40	**70,267**	42,313
Net gain from redemption/maturity of financial investments held-to-maturity	40	**–**	(1,878)
Net loss arising from hedging activities	40	**14,269**	9,599
Property, plant and equipment written off	41	**2,946**	6,612
Share-based payment expense	49	**68,620**	56,617
Share of results of associates	17	**(3,576)**	121
Share of results of joint ventures	18	**(30,678)**	(12,895)
Unrealised loss on financial liabilities designated at fair value through profit or loss	40	**162,587**	205,184
Unrealised loss/(gain) on foreign exchange	40	**169,925**	(1,310,207)
Unrealised (gain)/loss on revaluation of derivative financial instruments	40	**(544,997)**	1,018,552
Unrealised gain on revaluation of financial assets at fair value through profit or loss	40	**(106,031)**	–
Unrealised gain on revaluation of financial assets held for trading	40	**–**	(461,329)
Day 1 MFRS 9 adjustment		**(41)**	–
		602,327	2,025,386
		7,802,994	8,135,371
Decrease/(increase) in operating assets			
Reverse repurchase agreements		**(4,805,083)**	(1,202,566)
Deposits and placements with banks and other financial institutions		**(613,314)**	(1,967,293)
Financial assets at fair value through profit or loss		**(6,485,186)**	–
Financial assets held for trading		**–**	1,594,769
Loans, advances and financing		**(24,832,968)**	(4,545,490)
Other assets		**(390,538)**	3,958,970
Derivative financial instruments		**1,265,561**	10,978
Statutory deposits with central banks		**491,290**	(146,067)
		(35,370,238)	(2,296,699)

Consolidated Statement of Cash Flows
for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Increase/(decrease) in operating liabilities			
Deposits from customers		**21,675,578**	17,000,139
Investment accounts of customers		**861,507**	653,355
Deposits and placements of banks and other financial institutions		**481,304**	(8,626,199)
Financial liabilities designated at fair value through profit or loss		**944,680**	200,679
Repurchase agreements		**8,157,203**	1,724,819
Bills and acceptances payable		**(655,810)**	(484,561)
Other liabilities		**(463,570)**	3,228,534
		31,000,892	13,696,766
Cash flows generated from operations		**3,433,648**	19,535,438
Taxation paid		**(1,656,679)**	(1,403,507)
Net cash flows generated from operating activities		**1,776,969**	18,131,931
Investing Activities			
Dividend from an associate	17	**6,093**	2,550
Dividend from joint venture	18	**40,643**	2,800
Dividends from financial assets at fair value through profit or loss	40	**53,512**	–
Dividends from debt instruments at fair value through other comprehensive income	40	**16**	–
Dividends from equity instruments at fair value through other comprehensive income	40	**4,456**	–
Dividends from financial investments available-for-sale	40	**–**	31,788
Dividends from financial assets held-for-trading	40	**–**	58,550
Investment in associates	17	**(9,683)**	(2,463)
Net purchase of debt instruments at fair value through other comprehensive income		**(2,454,499)**	–
Net proceed of equity instruments at fair value through other comprehensive income		**121,791**	–
Net purchase of debt instruments at amortised cost		**(2,599,004)**	–
Net purchase of financial investments available-for-sale		**–**	(458,195)
Net purchase of financial investments held-to-maturity		**–**	(6,543,459)
Net cash outflow from disposal of interest in subsidiaries	59	**(210,313)**	(7,699)
Net cash outflow from disposal of joint venture		**(4,500)**	–
Proceeds from disposal of certain interest in associates		**–**	49,736
Proceeds from disposal of property, plant and equipment/asset held for sale		**185,313**	185,094
Purchase of property, plant and equipment	19	**(922,047)**	(626,110)
Proceeds from disposal of intangible assets		**25,000**	31,076
Purchase of intangible assets	23	**(129,047)**	(85,809)
Net cash flows used in investing activities		**(5,892,269)**	(7,362,141)

Consolidated Statement of Cash Flows
for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Financing Activities			
Acquisition of additional interest in subsidiary from non-controlling interests		**–**	(1,576)
Contribution from non-controlling interests		**79,392**	28,003
Dividends paid to non-controlling interests		**(12,798)**	(32,017)
Dividends paid to shareholders	47	**(376,094)**	(402,338)
Interest paid on bonds, Sukuk and debentures	(i)	**(665,730)**	(907,241)
Interest paid on commercial papers and medium term notes	(i)	**(13,710)**	(7,184)
Interest paid on subordinated obligations	(i)	**(652,973)**	(655,838)
Interest paid on term loan facility and other borrowings	(i)	**(317,327)**	(315,324)
Interest paid on recourse loans sold to Cagamas	(i)	**(211,350)**	(173,033)
Proceeds of commercial papers and medium term notes	(i)	**350,000**	350,000
Proceeds from issuance of bonds, Sukuk and debentures	(i)	**1,967,317**	12,537,937
Proceeds from issuance of subordinated obligations	(i)	**3,011,688**	1,500,000
Proceeds from recourse loans sold to Cagamas	(i)	**1,930,858**	1,780,001
Proceeds from revolving credit and overdraft	(i)	**21,000**	32,497
Proceeds from term loan facility and other borrowings	(i)	**2,829,380**	5,248,656
Redemption of bonds, Sukuk and debentures	(i)	**(2,894,386)**	(3,712,162)
Repayment of commercial papers and medium term notes	(i)	**(350,816)**	–
Repayment of recourse loans sold to Cagamas	(i)	**(1,129,997)**	(1,093,439)
Repayment of revolving credit and overdraft	(i)	**(21,315)**	–
Repayment of subordinated obligations	(i)	**(2,050,000)**	(2,690,053)
Repayment from term loan facility and other borrowings	(i)	**(3,321,123)**	(2,870,991)
Net cash flows (used in)/generated from financing activities		**(1,827,984)**	8,615,898
Net (decrease)/increase in cash and short-term funds during the financial year		**(5,943,284)**	19,385,688
Effects of exchange rate changes		**(193,382)**	(3,979,672)
Cash and short-term funds at beginning of the financial year		**41,667,884**	26,709,687
Cash and cash equivalent for asset classified as held for sale	58	**(2,284)**	(447,819)
Cash and short-term funds at end of the financial year	2(a)	**35,528,934**	41,667,884
Statutory deposits with Bank Indonesia*		**(2,984,851)**	(3,444,702)
Monies held in trust		**(142,347)**	(96,921)
Cash and cash equivalents at end of the financial year		**32,401,736**	38,126,261

* *This represents non-interest bearing statutory deposits of a foreign subsidiary maintained with Bank Indonesia in compliance with their applicable legislation of RM2,984,851,000 (2017: RM3,444,702,000), which is not readily available for use by the Group.*

COMPANY STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Operating Activities			
Profit before taxation		**2,479,891**	1,529,687
Adjustments for:			
Depreciation of property, plant and equipment	19	**104**	374
Depreciation of investment properties	20	**18**	18
Dividends from subsidiaries	40	**(3,318,627)**	(2,036,853)
Interest expense on term loan		**118,453**	134,187
Interest expense on commercial papers and medium term notes		**14,566**	8,000
Interest expense on subordinated debts	39	**449,735**	328,284
Interest income from debt intruments at fair value through other comprehensive income and debt instruments at amortised cost		**(311,350)**	–
Interest income from financial investments available-for-sale and financial investments held-to-maturity		**–**	(189,899)
Loss on disposal of a subsidiary	40	**528,670**	–
Allowance for impairment of subsidiary	43	**–**	22,265
Other expected credit losses	43	**31,477**	–
Unrealised loss on foreign exchange	40	**902**	205,988
		(2,486,052)	(1,527,636)
		(6,161)	2,051
Decrease/(Increase) in operating assets			
Repayment from subsidiaries		**1,819**	–
Other assets		**(990,072)**	(112,833)
		(988,253)	(112,833)
(Decrease)/Increase in operating liabilities			
Other liabilities		**(2,466)**	15,488
		(2,466)	15,488
Cash flows used in operations		**(996,880)**	(95,294)
Taxation paid		**(78,565)**	(1,937)
Net cash flows used in operating activities		**(1,075,445)**	(97,231)
Investing Activities			
Acquisition of additional interest in subsidiaries		**(2,781,521)**	(1,174,229)
Dividends from subsidiaries	40	**3,318,627**	2,036,853
Proceeds from disposal of a subsidiary		**452,335**	–
Interest received on AFS securities		**–**	80,000
Net purchase of debt instruments at amortised cost		**(1,679,684)**	–
Net purchase of HTM securities		**–**	(1,395,697)
Purchase of property, plant and equipment	19	**(690)**	–
Net cash flows used in investing activities		**(690,933)**	(453,073)

Company Statement of Cash Flows
for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Financing Activities			
Dividends paid to shareholders	47	**(376,094)**	(402,338)
Interest paid on commercial papers and medium term notes	(i)	**(13,711)**	(7,185)
Interest paid on term loan	(i)	**(115,675)**	(131,825)
Interest paid on subordinated debts	(i)	**(412,481)**	(322,849)
Repayment of term loan facility	(i)	**(2,000,000)**	(840,518)
Proceeds from issuance of term loan facility	(i)	**2,000,000**	–
Proceeds from commercial papers and medium term notes	(i)	**350,000**	350,000
Proceeds from issuance of subordinated debts	(i)	**2,900,000**	1,500,000
Repayment of revolving credit facility	(i)	**(200,106)**	–
Repayment of commercial papers and medium term notes	(i)	**(350,816)**	–
Net cash flows generated from financing activities		**1,781,117**	145,285
Net increase/(decrease) in cash and cash equivalents during the financial year		**14,739**	(405,019)
Cash and cash equivalents at beginning of the financial year		**182,809**	587,828
Cash and cash equivalents at end of the financial year	2(a)	**197,548**	182,809

(i) An analysis of changes in liabilities arising from financing activities is as follows:

	The Group					The Company		
	Recourse obligation on loans and financing sold to Cagamas RM'000	Bonds, Sukuk and debentures RM'000	Other borrowings RM'000	Subordinated obligations RM'000	Total RM'000	Other borrowings RM'000	Subordinated obligations RM'000	Total RM'000
At 1 January 2018	**5,195,248**	**14,895,625**	**10,057,295**	**12,532,965**	**42,681,133**	**3,553,113**	**6,904,556**	**10,457,669**
Proceeds from issuance	**1,930,858**	**1,967,317**	**3,200,380**	**3,011,688**	**10,110,243**	**2,350,000**	**2,900,000**	**5,250,000**
Repayment and redemption	**(1,129,997)**	**(2,894,386)**	**(3,693,254)**	**(2,050,000)**	**(9,767,637)**	**(2,550,922)**	**–**	**(2,550,922)**
Interest paid	**(211,350)**	**(665,730)**	**(331,037)**	**(652,973)**	**(1,861,090)**	**(129,386)**	**(412,481)**	**(541,867)**
Exchange fluctuation	**–**	**(32,547)**	**(256,288)**	**(76,070)**	**(364,905)**	**–**	**–**	**–**
Other non cash movement	**222,688**	**444,902**	**329,544**	**716,662**	**1,713,796**	**130,721**	**449,736**	**580,457**
At 31 December 2018	**6,007,447**	**13,715,181**	**9,306,640**	**13,482,272**	**42,511,540**	**3,353,526**	**9,841,811**	**13,195,337**
At 1 January 2017	4,498,369	7,635,784	9,289,859	13,725,302	35,149,314	4,060,493	5,399,121	9,459,614
Proceeds from issuance	1,780,001	12,537,937	5,631,153	1,500,000	21,449,091	350,000	1,500,000	1,850,000
Repayment and redemption	(1,093,439)	(3,712,162)	(2,870,991)	(2,690,053)	(10,366,645)	(840,518)	–	(840,518)
Interest paid	(173,033)	(907,241)	(322,508)	(655,838)	(2,058,620)	(139,010)	(322,849)	(461,859)
Exchange fluctuation	–	(781,069)	(913,419)	(42,659)	(1,737,147)	–	–	–
Other non cash movement	183,350	122,376	(756,799)	696,213	245,140	122,148	328,284	450,432
At 31 December 2017	5,195,248	14,895,625	10,057,295	12,532,965	42,681,133	3,553,113	6,904,556	10,457,669

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

for the financial year ended 31 December 2018

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

A BASIS OF PREPARATION

The Financial Statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and the requirements of the Companies Act, 2016 in Malaysia.

The Financial Statements have been prepared under historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, debts instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, derivatives financial instruments, investment properties, non-current assets/disposal groups held for sale and financial liabilities designated at fair value through profit or loss.

The Financial Statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under the Shariah principles.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 57.

(a) Standards and amendments to published standards that are effective and applicable to the Group and the Company

The new accounting standards and amendments to published standards that are effective and applicable to the Group and the Company for the financial year beginning 1 January 2018 are as follows:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Amendments to MFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to MFRS 140 "Investment Property – Transfers of Investment Property"
- Annual improvement to MFRSs 2014 – 2016 Cycle: MFRS 128 "Investment in Associates and Joint Ventures"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2018 Financial Statements, which resulted in changes in accounting policies. Other than that, the adoption of other amendments to published standards above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(i) Adoption of MFRS 9 "Financial Instruments"

The adoption of MFRS 9 has resulted changes in the accounting policies for classification and measurement of financial instruments, impairment of financial assets and hedge accounting of the Group and the Company. MFRS 9 also significantly amends other standard dealing with financial instruments such as MFRS 7 "Financial Instruments: Disclosures".

As permitted by the transition provisions of MFRS 9, the Group and the Company elected not to restate the comparatives figures, which continued to be reported under the previous accounting policies governed under MFRS 139. Any adjustments to the carrying amount of financial assets and liabilities at the end of transition were recognised in the opening retained earnings and other reserves of the current reporting period.

The consequential amendments to MFRS 7 disclosures have also been applied to current reporting period. The comparative notes disclosures repeat those disclosures made in the prior year.

The impact of adoption of MFRS 9 of the Group and the Company are summarised in Note 60.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

A BASIS OF PREPARATION (CONTINUED)

(a) Standards and amendments to published standards that are effective and applicable to the Group and the Company (Continued)

(ii) Adoption of MFRS 15 "Revenue from Contracts with Customers"

MFRS 15 "Revenue from Contracts with Customers" replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and their related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e., when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five–step process is applied before revenue can be recognised:
- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

The Group and the Company have applied MFRS 15 with the date of initial application of 1 January 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Company apply the new policy retrospectively only to contracts that are not completed contracts at the date of initial application.

Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were not recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018 as the financial impact is not material to the Group and the Company. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

(iii) Presentation of interest for financial instruments measured at fair value through profit or loss

MFRS 9 introduced a consequential amendment to paragraph 82 (a) of MFRS 101 "Presentation of Financial Statements", which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest income calculated using the effective interest method should be separately presented as a component of revenue on the face of the income statement. The effective interest method does not apply to financial assets at fair value through profit or loss.

Accordingly, the Group and the Company have presented interest income for financial assets at fair value through profit or loss separately in the Statement of Income.

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

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

(i) Financial year beginning on/after 1 January 2019

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

A BASIS OF PREPARATION (CONTINUED)

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

(i) Financial year beginning on/after 1 January 2019 (Continued)

- MFRS 16 “Leases” supersedes MFRS 117 “Leases” and the related interpretations. (Continued)

  The Group and the Company will not apply the new lease standard retrospectively in full, but will make use of the corresponding exemption provisions for lessees, which is the modified retrospective method. On transition to the new regulation, payment obligations from existing operating leases will be discounted using the relevant incremental borrowing rate. The resulting present value will be recognised as a lease liability. The right-of-use assets will be measured in the amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments.

  With regard to the options and simplifications under MFRS 16, the Group undertakes the following approach:
  - Eliminate the classification of leases as either finance leases (on balance sheet) or operating leases (off balance sheet).
  - Right-of-use assets and lease liabilities will be reported separately in the statement of financial position to recognise the underlying asset and future lease payment for most leases respectively.
  - The recognition, measurement and disclosure requirements of MFRS 16 will also be applied in full to current leases and leases of low-value.
  - Lease exemption of low value asset is set at the threshold of RM20,000 and will be reviewed annually.
  - The optional expedient available under MFRS 16 will not be applied.
  - The Group and the Company, as a lessor will continue to classify all leases as either operating leases or finance leases and account for them accordingly, as MFRS 16 has retained most of the requirements of a lessor found in MFRS 117.

  The new standard requires more extensive disclosures in both qualitative and quantitative form. The Group and the Company expect changes in the extent of disclosures in the financial statements for 31 December 2019.

  The Group and the Company identify that the lease payments largely relate to leases of premise rental, IT infrastructure and vehicles related to business operations and is still in the midst of finalising the financial impact in relation to the adoption of MFRS 16. Based on preliminary assessments undertake to-date, the Group and the Company expect an increase in the total assets due to the capitalisation of right-of-use assets and an increase in total liabilities due to the recognition of lease liabilities. The Group and the Company also expect a lower Net Interest Income but minimal impact to Profit before Taxation and Zakat as interest expense arising from the discounting of lease liability will be reported under ‘net interest income’ whilst depreciation will be reported under ‘overheads’ instead of rental expense as currently reported under ‘overheads’ in the Statements of Income. In the Statement of Cash Flows, the repayment portion of the lease payments from existing operating leases will reduce net cash from/used in financing activities and no longer affect net cash from operating activities. Only interest payments and depreciation charge will remain in net cash from operating activities, the total of which will rise.

  The Group and the Company are in finalisation stages of the MFRS 16 implementation with a view to ensure full compliance by 31 December 2019.

- Amendments to MFRS 9 “Prepayment Features with Negative Compensation”

  The amendments allow entities to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a ‘held to collect’ business model. The amendments will be applied retrospectively.

- Amendments to MFRS 128 “Long-term Interests in Associates and Joint Ventures”

  The amendments clarify that an entity should apply MFRS 9 ‘Financial Instruments’ (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity’s net investment, for which settlement is neither planned nor likely to occur in the foreseeable future. In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128. The amendments shall be applied retrospectively.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

A BASIS OF PREPARATION (CONTINUED)

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

(i) Financial year beginning on/after 1 January 2019 (Continued)

- Annual Improvements to MFRSs 2015 – 2017 Cycle
  - Amendments to MFRS 3 “Business Combinations” clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
  - Amendments to MFRS 11 “Joint Arrangements” clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
  - Amendments to MFRS 112 “Income Taxes” clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
  - Amendments to MFRS 123 “Borrowing Costs” clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- IC Interpretation 23 “Uncertainty over Income Tax Treatments” provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be applied retrospectively.

The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Group and the Company.

B ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

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

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

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

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

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

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor basis of accounting, the results of subsidiaries are presented as if the business combination had been effected from the current year. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the ultimate holding company of the Group at the date of transfer and adjusted to confirm with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amount of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (Continued)

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

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

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

(c) Disposal of subsidiaries

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

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

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(d) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated Financial Statements by the equity method of accounting, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in statement of income, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income.

Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition, net of accumulated impairment loss (if any). When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any long–term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of a joint venture' in the statement of income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statement of income where appropriate.

(e) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Investments in associates are accounted for using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in statement of income, and the Group's share of post–acquisition movements in other comprehensive income is recognised in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

For any of the associate's net assets changes, other than profit or loss or other comprehensive income and distributions received, the Group's policy is to account for such changes to the statement of income.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(e) Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of an associate' in the statement of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognised in the other comprehensive income is reclassified to statement of income where appropriate.

Dilution gains and losses arising from investments in associates are recognised in the statement of income.

(f) Interests in subsidiaries, joint arrangements and associates

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

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

C RECOGNITION OF INTEREST/PROFIT INCOME AND INTEREST/PROFIT EXPENSE

Interest and financing income and expense for all interest/profit–bearing financial instruments are recognised within "interest income", "interest expense" and "income from Islamic banking operations" respectively in the statement of income using the effective interest/profit method.

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

Interest/profit income is calculated by applying effective interest/profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit–impaired. For credit–impaired financial assets the effective interest/profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

D RECOGNITION OF FEES AND OTHER INCOME

Fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate on the financial instrument.

Guarantee fees, portfolio management fees and income from asset management and securities services which are material are recognised as income based on a time apportionment method. From 1 January 2018, the services are recognised as income based on performance obligations satisfied.

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

Fees from advisory and corporate finance activities are recognised after fulfilling each of the performance obligations.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Accounting policies applied from 1 January 2018

From 1 January 2018 onwards, dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measure at fair value through other comprehensive income.

E FINANCIAL ASSETS

(a) Classification

With the effect from the financial year beginning on/after 1 January 2018, the Group and the Company classify their financial assets into the following measurement categories:

- Fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- Amortised cost.

The classification depends on the Group's and the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI by the Group and the Company.

(i) Financial assets at fair value through OCI comprise of:

- Equity securities which are not held for trading, and for which the Group and the Company have made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss, and
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's and the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) The Group and the Company classify their financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

(iii) The Group and the Company classify the following financial assets at fair value through profit or loss:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

E FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

A financial asset is recognised in the statement of financial position when the Group and the Company become parties to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Company commit to purchase and sell the assets.

At initial recognition, the Group and the Company measure financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(c) Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Group and the Company classify their debt instruments.

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversal of impairment losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains or losses. Interest income from these financial assets is included in finance income using the effective interest rate method.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost, FVOCI or financial assets held for trading are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of income within other gains or losses in the period in which it arises. Interest income from these financial assets is included in the finance income.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain or losses in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Reclassification of financial assets

The Group and the Company reclassify financial assets when and only when their business model for managing those assets changes.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

F FINANCIAL LIABILITIES

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

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

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

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

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

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

The Group and the Company may designate financial instruments at fair value when the designation:

- Eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Certain structured investments with embedded callable range accrual swaps are designated by the Group under this criterion. The interest payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income.
- Applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and
- Relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

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

Upon adoption of MFRS 9, the component of fair value changes relating to the Group's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised.

The Group determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of financial liabilities at fair value through profit or loss. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are excluded from the assessment of market risk fair value changes.

The Group believes that this approach most faithfully represents the amount of change in fair value due to the Group's own credit risk, as the changes in factors contributing to the fair value of the items other than the changes in the benchmark interest rate are not deemed to be significant.

F FINANCIAL LIABILITIES (CONTINUED)

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, repurchase agreements, bills and acceptances payable, sundry creditors, collateral pledged for derivative transactions, bonds, Sukuk and debentures, other borrowings, subordinated notes and redeemable preference shares.

G DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

H OFFSETTING FINANCIAL INSTRUMENTS

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

I IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Company assess on a forward looking basis the expected credit losses (“ECL”) associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(i) Financial assets accounted for at amortised cost, FVOCI and with the exposure arising from loan commitments and financial guarantee contracts.

The Group and the Company use three categories for financial assets accounted for at amortised cost, FVOCI and with the exposure arising from loan commitments and financial guarantee contracts which reflect their credit risk and how the ECL is determined for each of those categories.

A summary of the assumptions underpinning the Group’s and the Company’s expected credit loss model is as follows:

(a) Stage 1: 12-months ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL – credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

I IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(i) Financial assets accounted for at amortised cost, FVOCI and with the exposure arising from loan commitments and financial guarantee contracts (Continued)

The Group and the Company account for their credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group and the Company consider historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

(ii) Other assets

The Group and the Company apply simplified approach as permitted by MFRS 9, which requires an entity to recognise a loss allowance based on lifetime ECL at each reporting date. MFRS 9 allows the use of practical expedients when measuring ECL and states that a provision matrix is an example of such expedient for trade receivables. An entity that applies a provision matrix may use historical loss experience on its trade receivables, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

J SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements ("reverse repurchase agreements") are securities which the Group had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements ("repurchase agreements") are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/ repurchase agreement using the effective yield method.

K PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost, less accumulated depreciation and accumulated impairment losses.

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

Freehold land and capital work-in-progress are not depreciated. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Buildings on leasehold land 50 years or more	40 years or over the remaining period of the lease, whichever is shorter
Leasehold land	40-50 years or over the remaining period of the lease, whichever is shorter
Buildings on leasehold land less than 50 years	40-50 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fixtures	
– office equipment	3-10 years
– furniture and fixtures	5-10 years
Renovations to rented premises	5-10 years or over the period of the tenancy, whichever is shorter
Computer equipment and hardware	
– servers and hardware	3-7 years
– ATM machine	5-10 years
Computer equipment and software under lease	3-5 years or over the period of the lease, whichever is shorter
Motor vehicles	5 years
General plant and machinery	5-8 years
Cards	3 years

K PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in non-interest income.

L INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Company.

Investment properties of the Company are stated at cost less accumulated depreciation and accumulated impairment loss. The freehold land is not depreciated. The buildings on freehold land are depreciated on a straight line bases over their estimated useful lives of 33.3 years.

At the Group level, investment properties of the Company are classified as property, plant and equipment as the properties are rented out to an entity within the Group.

Investment properties of the Group are stated at fair value, representing the open-market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statements of income as part of other income.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in statement of income in the period of the retirement or disposal.

M INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the business combination in which goodwill arose, identified according to operating segment.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill on acquisitions of associates and joint arrangements respectively are included in investments in associates and joint arrangements. Such goodwill is tested for impairment as part of the overall balance.

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

M INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

Other intangible assets are measured at fair value. Other intangible assets include customer relationships, core deposits, computer software and license and club debentures. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using fair value at acquisition. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. This impairment test may be performed at any time during the year, provided it is performed at the same time every year. An intangible asset recognised during the current period is tested before the end of the current year.

Intangible assets that have a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives.

Intangible assets are amortised over their finite useful lives as follows:

Customer relationships:	
– Credit card	12 years
Core deposits	8 - 20 years
Computer software	3 - 15 years
Club debentures	10 years

N ASSETS PURCHASED UNDER LEASE

(a) Finance lease

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

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

(b) Operating lease

Leasehold land

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Others

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

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

O ASSETS SOLD UNDER LEASE

(a) Finance lease

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

(b) Operating lease

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

P BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Group's own bills and acceptances rediscounted and outstanding in the market.

Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate except for assets/liabilities are classified as Level 3 fair value hierarchy. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of income.

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

The Group and the Company designate certain derivatives to manage its exposure to foreign currency and interest rate risks. The instruments used included interest rate swap, cross currency swap and currency swap.

The Group documents at the inception of the hedging transaction, the risk management objective and strategy and the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 11. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income. The change in the forward element of the contract that relates to the hedged item is recognised in other comprehensive income and accumulated in costs of hedging reserve with equity.

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

R CURRENCY TRANSLATIONS

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equity instruments at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income/financial investments available-for-sale are included in the revaluation reserve of equity instruments at fair value through other comprehensive income/financial investments available-for-sale in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

R CURRENCY TRANSLATIONS (CONTINUED)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

S INCOME AND DEFERRED TAXES

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

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

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

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

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

Deferred income tax related to the fair value re-measurement of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statements of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

T SHARE CAPITAL

(a) Classification

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

(b) Share issue costs

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

(c) Dividends

Dividends on ordinary shares and non-redeemable preference shares with discretionary dividends are recognised as a liability when the shareholders' right to receive the dividend is established.

(d) Repurchase, disposal and reissue of share capital (treasury shares)

Where any group or company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

U EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

(b) Post employment benefits

The Group and the Company have various post employment benefit schemes. These benefits plans are either defined contribution or defined benefit plans.

Defined contribution plans

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

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

Defined benefit plans

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost.

The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

U EMPLOYEE BENEFITS (CONTINUED)

(b) Post employment benefits (Continued)

Defined benefit plans (Continued)

The defined benefit obligation, calculated using the projected credit unit method, is determined by independent actuaries, by discounting estimated future cash outflows using market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(c) Other long term employee benefits

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

(d) Termination benefits

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

(e) Bonus plans

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

(f) Share-based compensation benefits

Employee Ownership Plan ("EOP")

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

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

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

V IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

W FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell and reported within "Other Assets".

X PROVISIONS

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

(i) the Group and the Company have a present legal or constructive obligation as a result of past events;

(ii) it is probable that an outflow of resources to settle the obligation will be required; and

(iii) a reliable estimate of the amount of obligation can be made.

Provisions are not recognised for future operating losses.

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

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

Y FINANCIAL GUARANTEE CONTRACTS

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

Financial guarantees are initially recognised in the Financial Statements at fair value on the date the guarantee was given. The guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amount determined in accordance with MFRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the amount initially recognised less, when appropriate, accumulative amortisation recognised in accordance with MFRS 118 "Revenue".

From 1 January 2018, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

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

Z CASH AND CASH EQUIVALENTS

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

AA SEGMENT REPORTING

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

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

AB CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

AC NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE

Non-current assets/disposal groups are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

AD TRUST ACTIVITIES

The Group acts as trustees and in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the Financial Statements, as they are not assets of the Group.

AE ACCOUNTING POLICIES APPLIED IN 2017

(a) Classification

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

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

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

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

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

AE ACCOUNTING POLICIES APPLIED IN 2017 (CONTINUED)

(a) Classification (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise cash and short-term funds, deposits placements with bank and other financial institutions, loans, advances and financing and other assets (except for foreclosed properties in Note W), in the statement of financial position.

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

(b) Recognition and initial measurement

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

(c) Subsequent measurement

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

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

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

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

AE ACCOUNTING POLICIES APPLIED IN 2017 (CONTINUED)

(d) Reclassification of financial assets

The Group and the Company may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purposes of selling in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group and the Company have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

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

(i) In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised to statement of income over the remaining life of the held-to-maturity investment using the effective interest method. Any difference between the new amortised cost and maturity amount shall also be amortised over the remaining life of the financial asset using the effective interest method, similar to the amortisation of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income.

(ii) In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognised in statement of income when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired any previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income.

(e) Derecognition of financial assets

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

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

(f) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

Summary of Significant Group Accounting Policies
for the financial year ended 31 December 2018

AE ACCOUNTING POLICIES APPLIED IN 2017 (CONTINUED)

(f) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

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

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

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

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

(ii) Assets classified as available-for-sale

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the significant subsidiaries as set out in Note 16 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management, stock and sharebroking and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

2(a) CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash and balances with banks and other financial institutions	**11,172,227**	12,803,346	**6,777**	1,177
Money at call and deposit placements maturing within one month	**24,361,029**	28,864,538	**190,771**	181,632
	35,533,256	41,667,884	**197,548**	182,809
Less: Expected credit losses	**(4,322)**	–	**–**	–
	35,528,934	41,667,884	**197,548**	182,809

Included in the Group's cash and short-term funds is:

(i) Non-interest bearing statutory deposits of a foreign subsidiary of RM2,984,851,000 (2017: RM3,444,702,000) maintained with Bank Indonesia in compliance with their applicable legislation.

(ii) Monies held in trust in relation to the Group's stockbroking business and unutilised value of contactless smart cards and amounts due to service providers for value utilised:

	The Group	
	2018 RM'000	**2017 RM'000**
Money held in trust for unutilised value of contactless smart cards and amounts due to service providers for value utilised	**115,953**	71,060
Remisiers' trust balances	**26,394**	25,861
	142,347	96,921

Notes to the Financial Statements
for the financial year ended 31 December 2018

2(b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2018 RM'000	**2017 RM'000**
Licensed banks	**2,354,708**	1,575,241
Licensed investment banks	**433,148**	60,000
Bank Negara Malaysia and other central banks	**1,587,240**	2,419,978
Other financial institutions	**–**	111
	4,375,096	4,055,330
Less: Expected credit losses	**(1,278)**	–
	4,373,818	4,055,330

Included in deposits and placements with banks and other financial institutions are monies held in trust in relation to the Group's unutilised value of contactless smart cards and amounts due to service providers for value utilised of RM459,761,000 (2017: RM444,823,000).

As at 31 December 2018, the expected credit losses in deposit placements maturing within one month and deposits and placements with banks and other financial institutions are RM4,322,000 and RM1,278,000 respectively. The 12-months expected credit losses made in the income statement during the financial year is amounting to RM981,000.

3 REVERSE REPURCHASE AGREEMENTS

	The Group	
	2018 RM'000	**2017 RM'000**
Reverse repurchase agreements		
– at amortised cost	**10,775,955**	6,484,687
– at fair value through profit or loss	**500,134**	–
	11,276,089	6,484,687

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2018 RM'000	2017 RM'000
Money market instruments:		
Unquoted		
Malaysian Government Securities	1,856,675	–
Cagamas bonds	626,157	–
Khazanah bonds	4,395	–
Malaysian Government treasury bills	9,967	–
Bank Negara Malaysia monetary notes	738,413	–
Negotiable instruments of deposit	7,663,918	–
Other Government securities	4,527,434	–
Government Investment Issues	237,414	–
Other Government treasury bills	5,667,495	–
Commercial papers	1,139,868	–
Bankers' acceptance	102,325	–
Promissory Notes	413,965	–
	22,988,026	–
Quoted securities:		
In Malaysia:		
Shares	340,872	–
Outside Malaysia:		
Shares	59,114	–
	399,986	–
Unquoted securities:		
In Malaysia:		
Corporate bond and Sukuk	2,626,873	–
Shares	860,454	–
Unit trusts	10,410	–
Outside Malaysia:		
Corporate bond	1,752,278	–
Private equity and unit trusts funds	398,925	–
Other Government bonds	474,117	–
	6,123,057	–
	29,511,069	–

Notes to the Financial Statements
for the financial year ended 31 December 2018

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fair value				
Money market instruments:				
Unquoted				
Malaysian Government Securities	**748,002**	–	**–**	–
Cagamas bonds	**280,390**	–	**–**	–
Khazanah bonds	**41,185**	–	**–**	–
Negotiable instruments of deposit	**448,425**	–	**–**	–
Other Government securities	**3,585,795**	–	**–**	–
Government investment Issues	**1,146,627**	–	**–**	–
Other Government treasury bills	**105,406**	–	**–**	–
Commercial Papers	**24,271**	–	**–**	–
	6,380,101	–	**–**	–
Unquoted securities:				
In Malaysia:				
Corporate bond and Sukuk	**13,270,963**	–	**2,467,071**	–
Outside Malaysia:				
Corporate bond and Sukuk	**8,571,418**	–	**–**	–
Bank Indonesia certificates	**423,805**	–	**–**	–
Other Government bonds	**3,630,016**	–	**–**	–
Unit trusts	**1**	–	**–**	–
	25,896,203	–	**2,467,071**	–
	32,276,304	–	**2,467,071**	–

Securities and money market instruments amounting to RM4,373 million invested by asset management companies on behalf of the Group.

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Expected credit losses movement for debt instruments at fair value through other comprehensive income:

The carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value. The loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

	The Group			
	12-months expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	–	–	–	–
Effect of adopting MFRS 9	26,790	4,143	133,306	164,239
Adjusted 1 January 2018	26,790	4,143	133,306	164,239
Changes in expected credit losses due to transferred within stages:	17,194	(17,194)	–	–
Transferred to Stage 1	17,276	(17,276)	–	–
Transferred to Stage 2	(82)	82	–	–
Total charge to Income Statement:	(20,550)	15,056	2,894	(2,600)
New financial assets purchased	51,355	66	–	51,421
Financial assets that have been derecognised	(8,190)	(4,536)	–	(12,726)
Change in credit risk	(63,715)	19,526	2,894	(41,295)
Write-offs	–	–	(65,679)	(65,679)
Exchange fluctuation	(215)	(3)	88	(130)
Other movements	–	–	(40,303)	(40,303)
At 31 December 2018	23,219	2,002	30,306	55,527

	The Company			
	12-months expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	–	–	–	–
Effect of adopting MFRS 9	10,576	–	–	10,576
Adjusted 1 January 2018	10,576	–	–	10,576
Total charge to Income Statement:	10,468	–	–	10,468
New financial assets purchased	8,526	–	–	8,526
Change in credit risk	1,942	–	–	1,942
At 31 December 2018	21,044	–	–	21,044

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5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Gross carrying amount movement for debt instruments at fair value through other comprehensive income:

	The Group	
	Lifetime expected credit losses – Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	–	–
Effect of adopting MFRS 9	140,715	140,715
Adjusted 1 January 2018	140,715	140,715
Write-offs	(65,679)	(65,679)
Financial assets that have been derecognised	(44,783)	(44,783)
Exchange fluctuation	53	53
At 31 December 2018	30,306	30,306

Impact of movements in gross carrying amount on expected credit losses

Stage 1 expected credit losses ("ECL") decreased by RM21 million for the Group during the financial year, mainly due to derecognition of gross carrying amounts ("GCA") for debt instruments at fair value through other comprehensive income from disposal, lower GCA from partial disposal and lower ECL for GCA transferred from stage 2 to stage 1, offset by recognition of GCA from new financial assets purchased.

Stage 2 ECL increased by RM15 million mainly due to higher ECL for GCA transferred from stage 1 to stage 2.

The write-off of debt instruments at fair value through other comprehensive income with a total GCA of RM66 million, resulted in the reduction of the stage 3 ECL by the same amount.

The net ECL charged during the year for the Company of RM10 million is in line with higher GCA of debt instruments at fair value through other comprehensive income purchased during the year.

6 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group	
	2018 RM'000	2017 RM'000
Quoted securities		
In Malaysia		
Shares	39,580	–
Outside Malaysia		
Shares	2,350	–
Unit trust	5,376	–
	47,306	–
Unquoted securities		
In Malaysia		
Shares	253,883	–
Property funds	178	–
Perpetual corporate bonds	177,034	–
Outside Malaysia		
Shares	6,243	–
Private equity funds and unit trusts funds	98,880	–
	536,218	–
	583,524	–

Equity investments at fair value through other comprehensive income comprise of the following individual investments:

		The Group
	Note	2018 RM'000
Quoted securities		
Compact Metal Industries Ltd		58
Premier Products Limited		2,290
Sub Sri Thai Property Fund		5,376
Tune Protect Group Berhad		39,582
		47,306
Unquoted securities		
Tabung Pemulihan Perumahan Terbengkalai		80,997
Swift		2,383
Financial Park (Labuan) Sdn Bhd		164,111
Global Maritime Ventures Bhd		4,463
Perbadanan Nasional Berhad		3,672
Redcliff Enterprise Overseas Ltd, BVI		43,392
Northstar Equity Partner III Limited		55,489
Mah Sing Group Berhad – Perpetual bonds		76,571
Aeon Credit Service (M) Berhad – Perpetual bonds		100,463
Others	(a)	4,677
		536,218
Total		583,524

(a) Included in others are unquoted equity instruments at fair value through other comprehensive income involved mainly in financial institution and manufacturing sectors.

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7 DEBT INSTRUMENTS AT AMORTISED COST

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Money market instruments:				
Unquoted				
Malaysian Government securities	3,188,569	–	–	–
Cagamas bonds	242,008	–	–	–
Other Government treasury bills	2,263,502	–	–	–
Other Government securities	1,736,645	–	–	–
Malaysian Government investment issue	8,492,547	–	–	–
Khazanah bonds	364,199	–	–	–
	16,287,470	–	–	–
Quoted securities				
Outside Malaysia				
Corporate bond and Sukuk	9,627	–	–	–
	9,627	–	–	–
Unquoted securities				
In Malaysia				
Corporate bond and Sukuk	16,865,348	–	5,445,496	–
Outside Malaysia				
Corporate bond and Sukuk	3,211,629	–	–	–
Bank Indonesia certificates	169,210	–	–	–
Other Government bonds	2,702,917	–	–	
	22,949,104	–	5,445,496	–
Total	39,246,201	–	5,445,496	–
Amortisation of premium, net of accretion of discount	143,738	–	–	–
Less : Expected credit losses	(120,737)	–	(47,563)	–
	39,269,202	–	5,397,933	–

Securities and money market instruments amounting to RM978 million invested by asset management companies on behalf of the Group.

7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Expected credit losses movement for debt instruments at amortised cost:

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	–	–	–	–
Effect of adopting MFRS 9	11,691	9,876	11,664	33,231
Adjusted 1 January 2018	11,691	9,876	11,664	33,231
Changes in expected credit losses due to transferred within stages:	(2,921)	2,921	–	–
Transferred to Stage 2	(2,921)	2,921	–	–
Total charge to Income Statement:	442	87,351	–	87,793
New financial assets purchased	22,842	–	–	22,842
Financial assets that have been derecognised	(374)	(11,673)	–	(12,047)
Change in credit risk	(22,026)	99,024	–	76,998
Exchange fluctuation	(97)	–	(190)	(287)
At 31 December 2018	9,115	100,148	11,474	120,737

	The Company			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018				
Effect of adopting MFRS 9	26,554	–	–	26,554
Adjusted 1 January 2018	26,554	–	–	26,554
Total charge to Income Statement:	21,009	–	–	21,009
New financial assets purchased	15,644	–	–	15,644
Change in credit risk	5,365	–	–	5,365
At 31 December 2018	47,563	–	–	47,563

7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Gross carrying amount movement for debt instruments at amortised cost:

	The Group	
	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	–	–
Effect of adopting MFRS 9	11,664	11,664
Adjusted 1 January 2018	11,664	11,664
Foreign exchange differences	(190)	(190)
At 31 December 2018	11,474	11,474

Impact of movements in gross carrying amount on expected credit losses

The net ECL charged during the year for the Group of RM88 million is mainly from stage 2 ECL as a result of GCA transferred from stage 1 to stage 2.

The net ECL charged during the year for the Company of RM21 million is in line with higher GCA of debt instruments at amortised cost purchased during the year.

8 FINANCIAL ASSETS HELD FOR TRADING

	The Group	
	2018 RM'000	2017 RM'000
Money market instruments:		
Unquoted:		
Malaysian Government securities	–	365,484
Cagamas bonds	–	188,085
Malaysian Government treasury bills	–	25,298
Bank Negara Malaysia Monetary Notes	–	99,343
Negotiable instruments of deposit	–	6,288,869
Bankers' acceptances	–	22,149
Commercial papers	–	72,816
Other Government securities	–	2,273,146
Other Government treasury bills	–	4,099,551
Government Investment Issues	–	451,167
	–	13,885,908
Quoted securities:		
In Malaysia		
Shares	–	819,147
Outside Malaysia		
Shares	–	511,385
Corporate bond and Sukuk	–	289,339
Other Government bonds	–	942,214
Investment linked funds	–	18,133
	–	2,580,218
Unquoted securities:		
In Malaysia		
Corporate bond and Sukuk	–	2,087,738
Shares	–	1
Outside Malaysia		
Corporate bond and Sukuk	–	2,939,105
Private equity funds	–	164,242
	–	5,191,086
	–	21,657,212

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9 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Money market instruments:				
Unquoted:				
Malaysian Government Securities	–	289,569	–	–
Cagamas bonds	–	140,874	–	–
Khazanah bonds	–	132,052	–	–
Other Government securities	–	598,316	–	
Government Investment Issues	–	696,373	–	–
Negotiable instruments of deposit	–	482,401	–	–
Malaysian Government Sukuk	–	22,107	–	
Commercial papers	–	39,825	–	–
	–	2,401,517	–	–
Quoted securities:				
In Malaysia				
Shares	–	159,003	–	–
Outside Malaysia				
Shares	–	82,267	–	–
Corporate bond and Sukuk	–	2,051,746	–	–
Other Government bonds	–	5,602,641	–	–
Unit trusts	–	24,511	–	–
	–	7,920,168	–	–
Unquoted securities:				
In Malaysia				
Corporate bond and Sukuk	–	13,763,383	–	1,433,024
Shares	–	1,172,471	–	–
Loan stocks	–	10,087	–	–
Property funds	–	355	–	–
Unit trusts	–	10,274	–	
Outside Malaysia				
Shares	–	52,734	–	–
Private equity funds and unit trust funds	–	480,263	–	–
Corporate bond and Sukuk	–	7,164,958	–	–
Loan stocks	–	1,105	–	–
	–	22,655,630	–	1,433,024
	–	32,977,315	–	1, 433,024
Allowance for impairment losses:				
Corporate bond	–	(67,809)	–	–
Private equity funds	–	(124,472)	–	–
Quoted shares	–	(170,361)	–	–
Unquoted shares	–	(184,020)	–	–
Unit trusts	–	(16,580)	–	–
Loan stocks	–	(10,087)	–	–
	–	(573,329)	–	–
	–	32,403,986	–	1,433,024

9 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

As at 31 December 2017, included in financial investments available-for-sale of the Group are money market instruments and securities in the form of unit trusts managed by CIMB – Principal Asset Management Berhad ("CPAM") on behalf of the Group amounting RM4,159 million. CPAM was disposed on 25 May 2018 and hence ceased to be a subsidiary of the Group.

The table below shows the movements in allowance for impairment losses during the financial year 2017 for the Group:

	The Group 2017 RM'000
At 1 January	499,831
Net allowance made during the financial year	99,091
Disposal of securities	(10,533)
Exchange fluctuation	(15,060)
At 31 December	573,329

10 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Money market instruments:				
Unquoted:				
Malaysian Government Securities	–	2,978,916	–	–
Cagamas bonds	–	203,649	–	–
Other Government securities	–	1,004,223	–	–
Other Government treasury bills	–	2,311,257	–	–
Government Investment Issues	–	8,328,896	–	–
Khazanah bonds	–	448,191	–	–
	–	15,275,132	–	–
Quoted securities:				
Outside Malaysia				
Corporate bond	–	193,329	–	–
Islamic bonds	–	7,485	–	–
Other Government bonds	–	2,233,123	–	–
Bank Indonesia certificates	–	157,895	–	–
	–	2,591,832	–	–
Unquoted securities:				
In Malaysia				
Corporate bond	–	16,613,688	–	3,518,264
Loan stocks	–	7,020	–	–
Danaharta Urus Sdn Bhd ("DUSB") bonds	–	–	–	–
Outside Malaysia				
Corporate bond and sukuk	–	2,398,812	–	–
	–	19,019,520	–	3,518,264
	–	36,886,484	–	3,518,264
Accretion of discount net of amortisation of premium	–	47,031	–	–
Less: Allowance for impairment losses	–	(12,300)	–	–
	–	36,921,215	–	3,518,264

As at 31 December 2017, included in financial investments held-to-maturity of the Group are money market instruments and securities in the form of unit trusts managed by CPAM on behalf of the Group amounting to RM918 million. CPAM was disposed on 25 May 2018 and hence ceased to be a subsidiary of the Group.

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

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10 FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTINUED)

There is no reclassification of financial investment and fair value in revaluation reserve-financial investment available-for-sale in 2017.

As at 31 December 2017, the fair value and carrying amount of the financial investments that have been reclassified are RM6,627,520,000 and RM6,554,448,000 respectively.

The fair value gain that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM122,485,000 for the Group. The remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM161,924,000.

As at 31 December 2017, the movement in allowance for impairment losses is as follows:

	The Group
	2017 RM'000
At 1 January 2017	12,925
Allowance written back during the financial year	(27)
Exchange fluctuation	(598)
At 31 December 2017	12,300

11 DERIVATIVE FINANCIAL INSTRUMENTS

The following tables summarise the contractual or underlying principal amounts of trading derivatives and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding as at statements of financial position date, and do not represent amounts at risk.

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

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
2018			
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	**32,410,589**	**375,275**	**(529,427)**
– Less than 1 year	**26,968,963**	**281,823**	**(260,250)**
– 1 year to 3 years	**4,415,657**	**79,877**	**(164,953)**
– More than 3 years	**1,025,969**	**13,575**	**(104,224)**
Currency swaps	**279,996,654**	**1,503,473**	**(1,819,805)**
– Less than 1 year	**276,985,421**	**1,424,731**	**(1,788,378)**
– 1 year to 3 years	**2,854,537**	**67,156**	**(30,522)**
– More than 3 years	**156,696**	**11,586**	**(905)**
Currency spots	**4,004,111**	**5,776**	**(6,016)**
– Less than 1 year	**4,004,111**	**5,776**	**(6,016)**
Currency options	**12,456,562**	**419,240**	**(433,734)**
– Less than 1 year	**9,104,317**	**185,558**	**(170,910)**
– 1 year to 3 years	**2,736,327**	**174,745**	**(178,561)**
– More than 3 years	**615,918**	**58,937**	**(84,263)**

11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives (Continued)			
Cross currency interest rate swaps	85,114,582	2,429,794	(1,943,583)
– Less than 1 year	26,438,087	347,172	(255,034)
– 1 year to 3 years	23,217,050	1,001,825	(767,547)
– More than 3 years	35,459,445	1,080,797	(921,002)
	413,982,498	4,733,558	(4,732,565)
Interest rate derivatives			
Interest rate swaps	528,255,573	2,458,109	(1,794,708)
– Less than 1 year	208,742,046	216,630	(239,831)
– 1 year to 3 years	180,588,234	715,907	(584,630)
– More than 3 years	138,925,293	1,525,572	(970,247)
Interest rate futures	8,397,529	6,009	(21,679)
– Less than 1 year	6,002,038	5,776	(21,121)
– 1 year to 3 years	2,395,491	233	(558)
Interest rate options	771,502	3	(13,457)
– Less than 1 year	637,913	–	(10,938)
– 1 year to 3 years	7,263	3	(4)
– More than 3 years	126,326	–	(2,515)
	537,424,604	2,464,121	(1,829,844)
Equity related derivatives			
Equity futures	48,300	26	(332)
– Less than 1 year	48,300	26	(332)
Index futures	10,904	56	(12)
– Less than 1 year	10,904	56	(12)
Equity options	5,697,423	225,269	(139,908)
– Less than 1 year	4,773,919	168,853	(133,720)
– 1 year to 3 years	834,086	56,416	(6,188)
– More than 3 years	89,418	–	–
Equity swaps	2,987,106	1,116	(6,767)
– Less than 1 year	7,011	–	(6,669)
– 1 year to 3 years	2,140,897	565	–
– More than 3 years	839,198	551	(98)
	8,743,733	226,467	(147,019)
Commodity related derivatives			
Commodity options	5,515,624	227,863	(213,889)
– Less than 1 year	5,468,720	227,855	(213,881)
– 1 year to 3 years	46,904	8	(8)
Commodity swaps	3,330,619	818,476	(266,305)
– Less than 1 year	2,417,016	289,239	(224,109)
– 1 year to 3 years	913,603	529,237	(42,196)
Commodity futures	3,705,140	10,981	(487,983)
– Less than 1 year	3,705,140	10,981	(487,983)
	12,551,383	1,057,320	(968,177)
Credit related contract			
Credit default swaps	2,962,199	30,284	(13,569)
– Less than 1 year	197,015	741	(430)
– 1 year to 3 years	588,687	10,568	(307)
– More than 3 years	2,176,497	18,975	(12,832)

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11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Credit related contract (Continued)			
Total return swaps	507,196	4,442	(4,297)
– Less than 1 year	221,801	1,581	–
– 1 year to 3 years	5,525	–	(521)
– More than 3 years	279,870	2,861	(3,776)
	3,469,395	34,726	(17,866)
Bond contract			
Bond forward	2,474,820	6,791	(49,080)
– Less than 1 year	598,899	1,052	(13,002)
– 1 year to 3 years	1,118,794	2,089	(23,543)
– More than 3 years	757,127	3,650	(12,535)
Hedging derivatives			
Interest rate swaps	26,632,750	83,067	(331,708)
– Less than 1 year	2,018,786	566	(23,323)
– 1 year to 3 years	8,408,787	34,338	(40,527)
– More than 3 years	16,205,177	48,163	(267,858)
Currency swaps	4,713,524	10,550	(14,250)
– Less than 1 year	4,713,524	10,550	(14,250)
Cross currency interest rate swaps	5,065,485	18,033	(317,472)
– Less than 1 year	1,851,258	239	(205,787)
– 1 year to 3 years	1,607,773	–	(66,911)
– More than 3 years	1,606,454	17,794	(44,774)
	36,411,759	111,650	(663,430)
Total derivative assets/(liabilities)	1,015,058,192	8,634,633	(8,407,981)

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
2017			
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	30,650,864	447,022	(847,056)
– Less than 1 year	25,589,202	374,435	(577,935)
– 1 year to 3 years	4,258,040	70,555	(134,093)
– More than 3 years	803,622	2,032	(135,028)
Currency swaps	191,607,681	1,573,517	(1,912,692)
– Less than 1 year	190,540,762	1,521,788	(1,900,228)
– 1 year to 3 years	669,086	27,302	(8,730)
– More than 3 years	397,833	24,427	(3,734)
Currency spots	3,721,198	4,093	(4,116)
– Less than 1 year	3,721,198	4,093	(4,116)
Currency options	20,909,231	288,249	(317,387)
– Less than 1 year	18,055,237	142,115	(156,045)
– 1 year to 3 years	1,368,848	40,130	(42,368)
– More than 3 years	1,485,146	106,004	(118,974)

11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives (Continued)			
Cross currency interest rate swaps	62,981,380	2,624,011	(2,639,922)
– Less than 1 year	14,969,608	310,704	(615,139)
– 1 year to 3 years	20,683,076	1,049,313	(887,072)
– More than 3 years	27,328,696	1,263,994	(1,137,711)
	309,870,354	4,936,892	(5,721,173)
Interest rate derivatives			
Interest rate swaps	388,905,122	2,522,630	(1,716,361)
– Less than 1 year	124,703,031	305,799	(281,144)
– 1 year to 3 years	129,982,397	755,858	(510,184)
– More than 3 years	134,219,694	1,460,973	(925,033)
Interest rate futures	11,984,251	8,834	(7,682)
– Less than 1 year	9,311,645	8,289	(6,953)
– 1 year to 3 years	2,165,607	545	(616)
– More than 3 years	506,999	–	(113)
Interest rate options	559,753	3,162	(2,896)
– Less than 1 year	373,126	2,896	(2,896)
– More than 3 years	186,627	266	–
	401,449,126	2,534,626	(1,726,939)
Equity related derivatives			
Equity futures	343,155	782	(3,362)
– Less than 1 year	343,155	782	(3,362)
Equity options	10,164,147	57,553	(117,163)
– Less than 1 year	4,177,734	6,472	(68,004)
– 1 year to 3 years	5,840,125	47,509	(46,139)
– More than 3 years	146,288	3,572	(3,020)
Equity swaps	921,931	39,245	(1,618)
– Less than 1 year	5,312	–	(662)
– 1 year to 3 years	89,002	38,106	–
– More than 3 years	827,617	1,139	(956)
	11,429,233	97,580	(122,143)
Commodity related derivatives			
Commodity options	3,784,702	214,223	(217,139)
– Less than 1 year	3,671,685	214,223	(217,139)
– 1 year to 3 years	113,017	–	–
Commodity swaps	2,542,518	297,788	(350,028)
– Less than 1 year	2,247,712	282,310	(232,654)
– 1 year to 3 years	294,806	15,478	(117,374)
Commodity futures	1,147,390	111,671	(53,468)
– Less than 1 year	1,147,390	111,671	(53,468)
	7,474,610	623,682	(620,635)
Credit related contract			
Credit default swaps	2,826,699	4,249	(947)
– Less than 1 year	271,116	339	(94)
– 1 year to 3 years	279,788	1,384	(220)
– More than 3 years	2,275,795	2,526	(633)

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11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair Values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Credit related contract (Continued)			
Total return swaps	362,918	5,130	(5,820)
– Less than 1 year	60,818	554	–
– More than 3 years	302,100	4,576	(5,820)
Credit Spread Option	16,218	–	(310)
– Less than 1 year	16,218	–	(310)
	3,205,835	9,379	(7,077)
Bond contract			
Bond forward	1,170,651	5,674	(15,830)
– Less than 1 year	198,940	455	(2,681)
– 1 year to 3 years	335,711	495	(6,124)
– More than 3 years	636,000	4,724	(7,025)
Hedging derivatives			
Interest rate swaps	25,444,828	87,581	(280,685)
– Less than 1 year	1,755,945	1,567	(10,871)
– 1 year to 3 years	6,335,536	17,253	(95,027)
– More than 3 years	17,353,347	68,761	(174,787)
Currency swaps	4,149,117	147,419	(18,633)
– Less than 1 year	4,149,117	147,419	(18,633)
Cross currency interest rate swaps	4,158,467	5,124	(238,268)
– Less than 1 year	225,545	–	(5,800)
– 1 year to 3 years	1,865,418	5,124	(159,755)
– More than 3 years	2,067,504	–	(72,713)
	33,752,412	240,124	(537,586)
Total derivative assets/(liabilities)	768,352,221	8,447,957	(8,751,383)

(i) Fair value hedges

The Group uses interest rate swaps to hedge its exposure to changes in the fair value of loans, subordinated obligations, negotiable instruments of deposits issued, bills and acceptance payables and bonds in respect of benchmark interest rates.

The Group uses cross currency interest rate swap to hedge foreign currency risk from the issuance of senior bond and debentures issued denominated in foreign currencies. The foreign currency risk component is managed and mitigated by the use of cross currency swaps, which exchange fixed interest payments in foreign currencies for floating interest payment in MYR.

The Group's hedge accounting policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps and cross currency interest rate swaps.

The Group establishes the hedge ratio by matching the notional of the derivatives with the principal of the underlying being hedged. Ineffectiveness is recognised on hedge where the change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above interest rate risk, this may arise if differences arise between the credit risk inherent within the hedged item and the hedging instrument. The Group uses collateral/credit enhancement to mitigate the risk. However, the remaining risk can result in hedge ineffectiveness.

11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value hedges (Continued)

The main source of ineffectiveness that are expected to affect the hedging relationship during the financial year are:

- The effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap and cross currency swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- Differences in maturities and reset dates of the interest rate swaps and the fixed rate bonds or liabilities.

The Group uses the following items as hedging instruments in fair value hedges:

	Maturity				
31 December 2018	**Less than 1 month**	**1-3 months**	**3 months -1 year**	**1-5 years**	**more than 5 years**
Interest rate risk					
Interest rate swaps (MYR)					
Nominal amount (RM'000)	–	–	1,475,000	11,452,268	5 ,130,250
Average fixed interest rate	–	–	4.08%	4.22%	4.33%
Interest rate swaps (HKD)					
Nominal amount (RM'000)	–	–	343,403	–	–
Average fixed interest rate	–	–	2.47%	–	–
Interest rate swaps (SGD)					
Nominal amount (RM'000)	–	–	200,384	481,225	712,728
Average fixed interest rate	–	–	2.05%	2.07%	2.41%
Interest rate swaps (USD)					
Nominal amount (RM'000)	–	–	–	2,710,258	2 ,851,031
Average fixed interest rate	–	–	–	2.62%	2.72%
Interest rate swaps (IDR)					
Nominal amount (RM'000)	–	–	–	121,233	–
Average fixed interest rate	–	–	–	8.45%	–
Foreign currency risk					
Cross currency interest rate swaps (AUD:MYR)					
Nominal amount (RM'000)	–	–	292,335	–	–
Average AUD:MYR exchange rate	–	–	2.92	–	–
Average fixed interest rate	–	–	4.38%	–	–
Cross currency interest rate swaps (CNH:MYR)					
Nominal amount (RM'000)	–	–	156,407	–	–
Average CNH:MYR exchange rate	–	–	0.61	–	–
Average fixed interest rate	–	–	4.08%	–	–
Cross currency interest rate swaps (HKD:MYR)					
Nominal amount (RM'000)	–	–	491,330	461,744	–
Average HKD:MYR exchange rate	–	–	0.43	0.56	–
Average fixed interest rate	–	–	2.58%	2.31%	–

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11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value hedges (Continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	The Group				
		Fair values*			
31 December 2018	Nominal amount RM'000	Assets RM'000	Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000
Interest rate risk					
Interest rate swaps (EUR)	–	–	–	300	(724)
Interest rate swaps (HKD)	343,403	–	(1,515)	(974)	2,233
Interest rate swaps (MYR)	18,057,518	51,706	(132,522)	48,977	(17,070)
Interest rate swaps (SGD)	1,394,337	2,312	(20,882)	(730)	213
Interest rate swaps (USD)	5,561,288	29,049	(171,435)	(58,828)	4,362
Interest rate swaps (IDR)	121,233	–	(2,308)	(2,245)	(6)
Foreign currency risk					
Cross currency interest rate swaps (AUD:MYR)	292,335	5,834	–	(33,889)	(2,249)
Cross currency interest rate swaps (CNH:MYR)	156,407	1,633	(462)	(4,712)	(907)
Cross currency interest rate swaps (EUR:USD)	–	–	–	(1,553)	(1,553)
Cross currency interest rate swaps (HKD:MYR)	953,074	93,629	(28,909)	12,007	4,486

* *All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.*
** *All hedge ineffectiveness are recognised in the 'Net non-interest income' in the statement of income.*

11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value hedges (Continued)

The amounts relating to items designated as hedge items were as follows:

	The Group						
	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item			Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
31 December 2018	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000	Line item in the Statement of Financial Position in which the hedged item is included	RM'000	RM'000
Hedged items							
EUR fixed rate loans	–	–	–	–	Loans, advances and financing	(1,024)	–
MYR fixed rate loans	3,339,947	–	35,718	(1,446)	Loans, advances and financing	(53,440)	5,002
USD fixed rate loans	213,743	–	44	(4,211)	Loans, advances and financing	(1,910)	–
MYR fixed rate liabilities	–	(101,887)	–	(404)	Deposits and placement of bank and other financial institutions	28	–
MYR fixed rate liabilities	–	(863,991)	–	(19,786)	Recourse obligation on loans and financing sold to Cagamas	2,315	–
MYR fixed rate liabilities	–	(756,398)	–	(73)	Other liabilities	(1,596)	–
MYR fixed rate liabilities	–	(6,671,400)	11,976	(29,081)	Subordinated obligations	(6,412)	(7,975)
AUD fixed rate bonds	–	(295,696)	–	(1,765)	Bonds, Sukuk and debentures	31,640	–
CNH fixed rate bonds	–	(154,843)	6,336	–	Bonds, Sukuk and debentures	3,805	–
HKD fixed rate bonds	–	(1,269,932)	47,535	(76,014)	Bonds, Sukuk and debentures	(4,314)	–
MYR fixed rate bonds	–	(2,997,729)	18,387	–	Bonds, Sukuk and debentures	(6,757)	–
SGD fixed rate bonds	–	–	–	–	Bonds, Sukuk and debentures	526	–
USD fixed rate bonds	–	(2,795,765)	187,723	–	Bonds, Sukuk and debentures	89,823	1,447
MYR fixed rate bonds	3,581,887	–	54,388	(1,842)	Debt instruments at fair value through other comprehensive income	(184)	(970)
SGD fixed rate bonds	1,376,734	–	19,909	(4,260)	Debt instruments at fair value through other comprehensive income	417	(728)
USD fixed rate bonds	2,380,143	–	23,722	(25,045)	Debt instruments at fair value through other comprehensive income	(24,727)	(489)
IDR fixed rate bonds	121,233	–	2,240	–	Debt instruments at fair value through other comprehensive income	2,240	–

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11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value hedges (Continued)

For the financial year ended 31 December 2017, included in the net non-interest income is the net gains and losses arising from fair value hedges as follows:

	The Group	The Company
	RM'000	RM'000
Loss on hedging instruments*	(80,008)	(35,882)
Gain on the hedged items attributable to the hedged risk	68,706	35,882

* *Hedging instrument includes non-derivative financial liabilities used to hedge foreign exchange risk from investment in subsidiary.*

(ii) Net investment hedge

The Group uses non-derivative financial liability and currency swaps to hedge the foreign exchange rate exposure arising from net investment in foreign operations that have a different functional currency from the Group. The Group has investment in foreign operations which is consolidated in its financial statements and whose functional currencies are non MYR.

The foreign exchange risk arises from the fluctuation in spot exchange rates between the functional currency of the foreign operations and the Group's functional currency. The hedged risk is the risk of weakening foreign currencies against MYR that will result in reduction in the carrying amount of the Group's net investment in foreign operations. The foreign currency risk component is determined as the change in the carrying amount of net assets of the foreign operations arising solely from changes in spot foreign currency exchange rates.

The Group assesses effectiveness by comparing changes in the carrying amount of the non-derivative financial liability that attributable to a change in the spot rate (the offset method). The Group only designates the spot element of the forward foreign exchange contract. Changes in the fair value of the hedging instrument attributable to changes in forward points and the effect of discounting are recognised in other comprehensive income which does not included in the hedge effectiveness assessment.

The Group establishes the hedging ratio by matching the notional of the forward contracts with the designated net assets of the foreign operation. There is no ineffectiveness arises from hedge of net investment in foreign operations.

The Group uses the following items as hedging instruments in net investment hedges:

	The Group				
	Maturity				
31 December 2018	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	more than 5 years
Fixed rate bond (USD)					
Nominal amount (RM'000)	–	–	–	1,241,250	–
Average USD:MYR exchange rate	–	–	–	4.037	–
Currency swaps (GBP:MYR)					
Nominal amount (RM'000)	89,645	–	10,546	–	–
Average GBP:MYR exchange rate	5.246	–	5.496	–	–
Currency swaps (HKD:MYR)					
Nominal amount (RM'000)	–	117,814	8,453	–	–
Average HKD:MYR exchange rate	–	0.531	0.530	–	–
Currency swaps (SGD:MYR)					
Nominal amount (RM'000)	683,430	1,356,841	24,289	–	–
Average SGD:MYR exchange rate	2.998	3.033	3.059	–	–
Currency swaps (USD:MYR)					
Nominal amount (RM'000)	57,925	910,250	1,454,331	–	–
Average USD:MYR exchange rate	4.146	4.136	4.155	–	–

11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Net investment hedge (Continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	The Group						
		Fair values*					
31 December 2018	Nominal amount RM'000	Assets RM'000	Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Changes in fair value recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000	Amount reclassified from hedge reserve to profit or loss** RM'000
Foreign exchange risk							
Fixed rate bonds (USD)	1,241,250	–	–	(24,900)	24,900	–	–
Currency swaps (GBP:MYR)	100,192	652	(632)	3,637	(3,637)	–	–
Currency swaps (HKD:MYR)	126,267	668	(119)	(2,511)	2,511	–	–
Currency swaps (SGD:MYR)	2,064,559	2,978	(11,019)	(2,354)	2,354	–	–
Currency swaps (USD:MYR)	2,422,506	6,252	(2,480)	(48,864)	48,864	–	–

* *All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.*
** *All hedge ineffectiveness and reclassification from the 'net investment hedge reserve' to profit or loss are recognised in the 'Net non-interest income' in the statement of income.*

The amount relating to items designated as hedged items were as follows:

	The Group		
31 December 2018	Change in value used for calculating hedge ineffectiveness RM'000	Net investment hedge reserve RM'000	Balance remaining in the net investment hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
GBP net investment	(3,637)	(4,336)	–
HKD net investment	2,511	23,648	–
SGD net investment	2,354	187,710	–
USD net investment	73,764	565,011	–

For the financial year ended 31 December 2017, the fair value changes of the hedging instruments attributable to the risk not designated as hedged in the hedging relationship was recognised in the statement of income for the Group of RM47,738,619.

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11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Cash flows hedge

The Group uses interest rate swaps and cross currency swaps to hedge interest rate risk in respect of benchmark interest rate and foreign currency risks of loans and credit-linked notes denominated in foreign currencies. The interest rate risk and foreign currency risk component are managed and mitigated by the use of hedging instruments, which exchange floating rate payments for fixed rate payments (interest rate risk) and exchange floating rate payments for floating rate payments (foreign currency risks) in functional currency.

The effectiveness is assessed by comparing the changes in fair value of the interest rate swaps and cross currency swaps with changes in fair value of the hedged item attributable to the hedged risk using the hypothetical derivative method.

The Group established the hedging ratio by matching the notional of the derivative with the principal of the hedged item. Possible sources of ineffectiveness are as follow:

- Differences in timing of cash flows between hedged item, interest rate swaps and cross currency swaps,
- Hedging derivatives with non-zero fair value at the inception as a hedging instrument and
- Counterparty credit risk which impacts the fair value of interest rate swaps and cross currency swaps but not the hedged items

The Group uses the following items as hedging instruments in cash flow hedges:

	Maturity				
31 December 2018	**Less than 1 month**	**1 – 3 months**	**3 months – 1 year**	**1 – 5 years**	**More than 5 years**
Interest rate risk					
Interest rate swaps					
Nominal amount (RM'000)	–	–	–	312,192	–
Average fixed interest rate	–	–	–	2.00%	–
Interest rate/foreign exchange risk					
Cross currency interest rate swaps (USD:MYR)					
Nominal amount (RM'000)	–	–	1,036,179	464,708	–
Average USD-MYR exchange rate	–	–	3.567	4.349	–
Average fixed interest rate	–	–	–	–	–
Cross currency interest rate swaps (USD:THB)					
Nominal amount (RM'000)	–	–	–	–	802,176
Average USD-THB exchange rate	–	–	–	–	32.322
Average fixed interest rate	–	–	–	–	–

11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Cash flows hedge (Continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	The Group						
		Fair values*					
31 December 2018	Nominal amount RM'000	Assets RM'000	Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Changes in fair value recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000	Amount reclassified from hedge reserve to profit or loss** RM'000
Interest rate risk							
Interest rate swaps	312,192	–	(3,046)	2,709	(2,709)	–	–
Foreign exchange risk							
Cross currency interest rate swaps (USD:MYR)	1,500,888	24,990	(188,788)	(29,231)	435	(1,287)	(1,287)
Cross currency interest rate swaps (USD:THB)	802,176	1,153	(16,114)	377	(377)	–	–

* *All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.*
** *All hedge ineffectiveness and reclassification from the 'Hedging reserve – cash flows hedge' to profit or loss are recognised in the 'Net non-interest income' in the statement of income.*

The amounts relating to items designated as hedged items were as follows:

	The Group			
31 December 2018	Line item in the Statement of Financial Position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness RM'000	Cash flow hedge reserve RM'000	Balance remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
Interest rate/foreign exchange risk				
USD floating rate loans	Loans, advances and financing	31,837	(3,936)	–
Credit-linked Notes	Bills and acceptances payable	(806)	11,694	–

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11 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Cash flows hedge (Continued)

For the financial year ended 31 December 2017, the notional amount of the outstanding cross currency interest rate swaps as at 31 December 2017 was RM4,484,430,195. Gains and losses of cross currency interest rate swaps recognised in the hedging reserve will be reclassified from equity to statement of income when the hedged cash flows affect profit or loss. Total loss of RM234,288 was recognised in the statement of income due to hedge ineffectiveness from cash flow hedges.

Table below shows the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

The Group 31 December 2017	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	> 5 years RM'000
Cash inflows (assets)	180,205	9,919	5,733	8,582	3,798,178	–
Cash outflows (liabilities)	(27,833)	(969)	(4,907)	(34,144)	(1,155,861)	(520,587)
Net cash (outflows)/inflows	152,372	8,950	826	(25,562)	2,642,317	(520,587)

(iv) Reconciliation of components of equity

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (net of tax) resulting from hedge accounting:

	The Group	
	Net investment hedge RM'000	**Cash flows hedge RM'000**
At 1 January 2018	**(1,190,338)**	**(205)**
Effect of adopting MFRS 9	**55**	**–**
At 1 January 2018, as restated	**(1,190,283)**	**(205)**
Effective portion of changes in fair value:		
– Interest rate risk	**–**	**(2,709)**
– Interest rate/USD foreign currency risk	**–**	**14,016**
Net amount reclassified to profit or loss:		
– Interest rate/USD foreign currency risk	**–**	**(1,287)**
Net gain on hedge of net investment in foreign operations:		
– GBP currency swaps	**3,637**	**–**
– HKD currency swaps	**(2,511)**	**–**
– SGD currency swaps	**(2,354)**	**–**
– USD currency swaps	**(73,764)**	**–**
Cost of hedging	**47,318**	**–**
Income tax effects	**–**	**(3,479)**
Exchange fluctuation	**–**	**(239)**
Disposal of a subsidiary	**55,484**	**–**
Share of joint venture	**(2,280)**	**–**
At 31 December 2018	**(1,164,753)**	**6,097**

12 LOANS, ADVANCES AND FINANCING

(i) By type:

	The Group	
	2018 RM'000	**2017 RM'000**
At amortised cost		
Overdrafts	**5,315,592**	5,412,576
Term loans/financing		
– Housing loans/financing	**95,812,651**	88,121,988
– Syndicated term loans	**17,141,144**	16,393,012
– Hire purchase receivables	**20,818,624**	19,664,069
– Lease receivables	**166,102**	208,776
– Factoring receivables	**12,898**	13,225
– Other term loans/financing	**143,246,139**	137,777,692
Bills receivable	**8,198,220**	9,695,303
Trust receipts	**2,028,200**	1,822,183
Claims on customers under acceptance credits	**5,212,364**	5,050,615
Staff loans [of which RM59,421,449 (2017: RM46,704,157) are loans to Directors (including Directors of subsidiaries)]	**1,464,094**	1,345,802
Credit card receivables	**9,462,104**	9,567,761
Revolving credits	**35,893,597**	28,254,411
Share margin financing	**715,119**	888,736
Other loans	**–**	1,905
Gross loans, advances and financing	**345,486,848**	324,218,054
Fair value changes arising from fair value hedge	**30,104**	86,537
	345,516,952	324,304,591
Less:		
– Expected credit losses	**(9,172,365)**	–
– Individual impairment allowance	**–**	(4,613,542)
– Portfolio impairment allowance	**–**	(3,134,037)
	(9,172,365)	(7,747,579)
Net loans, advances and financing at amortised cost	**336,344,587**	316,557,012
At fair value through profit or loss		
Term loans/financing		
– Syndicated term loan	**803,501**	–
– Other term loans/financing	**180**	–
Gross loans, advances and financing at fair value through profit or loss	**803,681**	–
Total net loans, advances and financing	**337,148,268**	316,557,012
Total Gross loans, advances and financing:		
– At amortised cost	**345,486,848**	324,218,054
– At fair value through profit or loss	**803,681**	–
	346,290,529	324,218,054

Notes to the Financial Statements
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12 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) By type: (Continued)

(a) Included in the Group's loans, advances and financing balances are RM34,633,000 (2017: RM39,767,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and was done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

(b) The Group has undertaken a fair value hedge on the interest rate risk of RM3,492,615,000 (2017: RM4,271,223,000) loans, advances and financing using interest rate swaps.

(c) Included in the loans, advances and financing of the Group at 31 December 2018 is financing which is disclosed as "Restricted Agency Investment Account"("RAIA") in the financial statements of CIMB Islamic amounting to RM5,530,998,000. RAIA arrangement is with CIMB Bank's wholly owned subsidiary, CIMB Islamic, and the contract is based on the Wakalah principle where CIMB Bank solely provide the funds, whilst the assets are managed by CIMB Islamic (as the Wakeel or agent). In the arrangement, CIMB Islamic has transferred substantially all the risk and rewards of ownership of the Investment (i.e the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and expected credit losses arising thereon, if any, are recognised and accounted for by CIMB Bank.

The recognition and de-recognition of the above are in accordance to Note E and G in the financial statements of the Group for the financial year ended 31 December 2018.

(ii) By type of customer:

	The Group	
	2018 RM'000	**2017 RM'000**
Domestic banking financial institutions	**92,753**	17,862
Domestic non-bank financial institutions		
– Stockbroking companies	**162**	102,604
– Others	**4,068,641**	3,887,681
Domestic business enterprises		
– Small medium enterprises	**49,648,698**	48,873,016
– Others	**62,518,323**	57,184,402
Government and statutory bodies	**10,188,407**	10,018,671
Individuals	**170,414,963**	159,515,156
Other domestic entities	**8,804,883**	5,449,813
Foreign entities	**40,553,699**	39,168,849
Gross loans, advances and financing	**346,290,529**	324,218,054

(iii) By interest/profit rate sensitivity:

	The Group	
	2018 RM'000	**2017 RM'000**
Fixed rate		
– Housing loans	**2,824,425**	2,899,615
– Hire-purchase receivables	**14,158,936**	11,684,046
– Other fixed rate loans	**37,936,768**	37,275,933
Variable rate		
– BLR plus	**139,167,886**	145,470,725
– Cost plus	**53,493,540**	47,299,179
– Other variable rates	**98,708,974**	79,588,556
Gross loans, advances and financing	**346,290,529**	324,218,054

12 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iv) By economic purposes:

	The Group	
	2018 RM'000	**2017 RM'000**
Personal use	**13,808,198**	13,100,915
Credit card	**9,462,104**	9,567,761
Purchase of consumer durables	**79,553**	90,220
Construction	**13,970,730**	12,261,920
Residential property (Housing)	**98,067,579**	90,672,129
Non-residential property	**27,477,657**	24,942,544
Purchase of fixed assets other than land and building	**13,994,503**	14,142,544
Mergers and acquisitions	**2,648,296**	2,241,907
Purchase of securities	**25,756,162**	25,104,374
Purchase of transport vehicles	**21,898,596**	21,587,679
Working capital	**90,315,846**	85,400,236
Other purpose	**28,811,305**	25,105,825
Gross loans, advances and financing	**346,290,529**	324,218,054

(v) By geographical distribution:

	The Group	
	2018 RM'000	**2017 RM'000**
Malaysia	**207,395,558**	189,151,339
Indonesia	**58,370,263**	59,764,044
Thailand	**31,453,674**	30,691,840
Singapore	**29,485,975**	26,295,806
United Kingdom	**4,866,634**	3,890,933
Hong Kong	**2,287,259**	2,390,059
China	**3,766,611**	4,601,331
Other countries	**8,664,555**	7,432,702
Gross loans, advances and financing	**346,290,529**	324,218,054

(vi) By residual contractual maturity:

	The Group	
	2018 RM'000	**2017 RM'000**
Within one year	**104,578,676**	91,897,124
One year to less than three years	**25,779,218**	31,895,148
Three years to less than five years	**33,324,101**	29,293,391
Five years and more	**182,608,534**	171,132,391
Gross loans, advances and financing	**346,290,529**	324,218,054

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12 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vii) By economic sector

	The Group	
	2018 RM'000	**2017 RM'000**
Primary agriculture	**12,555,650**	11,541,343
Mining and quarrying	**7,284,772**	7,313,722
Manufacturing	**24,520,102**	25,837,183
Electricity, gas and water supply	**5,714,682**	3,004,095
Construction	**14,610,895**	12,705,516
Transport, storage and communications	**11,865,314**	10,614,449
Education, health and others	**15,424,718**	16,172,798
Wholesale and retail trade, and restaurants and hotels	**31,764,216**	30,537,143
Finance, insurance/takaful, real estate and business activities	**44,323,608**	39,840,677
Household	**161,798,791**	150,716,232
Others	**16,427,781**	15,934,896
Gross loans, advances and financing	**346,290,529**	324,218,054

(viii) Credit impaired/Impaired loans, advances and financing by economic purpose:

	The Group	
	2018 RM'000	**2017 RM'000**
Personal use	**412,999**	417,348
Credit card	**151,609**	175,120
Purchase of consumer durables	**715**	342
Construction	**1,518,618**	1,520,589
Residential property (Housing)	**1,488,236**	1,417,968
Non-residential property	**305,923**	271,156
Purchase of fixed assets other than land and building	**647,471**	861,549
Mergers and acquisitions	**51,242**	152,701
Purchase of securities	**136,610**	143,268
Purchase of transport vehicles	**221,504**	296,207
Working capital	**4,158,030**	4,606,373
Other purpose	**983,756**	1,131,059
Gross impaired loans	**10,076,713**	10,993,680

(ix) Credit impaired/Impaired loans by geographical distribution:

	The Group	
	2018 RM'000	**2017 RM'000**
Malaysia	**3,622,639**	3,555,830
Indonesia	**3,176,570**	3,880,630
Thailand	**2,323,355**	2,557,106
Singapore	**676,323**	710,639
United Kingdom	**8,462**	7,499
China	**16,051**	23,234
Other countries	**253,313**	258,742
Gross impaired loans	**10,076,713**	10,993,680

12 LOANS, ADVANCES AND FINANCING (CONTINUED)

(x) Credit impaired/impaired loans, advances and financing by economic sector

	The Group	
	2018 RM'000	**2017 RM'000**
Primary agriculture	**173,272**	219,924
Mining and quarrying	**1,554,409**	1,368,503
Manufacturing	**1,746,217**	1,698,316
Electricity, gas and water supply	**54,667**	1,725
Construction	**278,582**	238,031
Transport, storage and communications	**1,152,509**	1,474,611
Education, health and others	**199,830**	234,062
Wholesale and retail trade, and restaurants and hotels	**1,702,513**	2,268,638
Finance, insurance/takaful, real estate and business activities	**760,464**	891,265
Household	**2,149,216**	2,251,519
Others	**305,034**	347,086
Gross credit impaired/impaired loans, advances and financing	**10,076,713**	10,993,680

(xi) Movements in the expected credit losses/allowance for loans, advances and financing are as follows:

	The Group						
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – Credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Individual impairment provision under MFRS 139 RM'000	Portfolio impairment provision under MFRS 139 RM'000	Total RM'000
Loans, advances and financing at amortised cost							
At 1 January 2018	–	–	–	–	4,613,542	3,134,037	7,747,579
Effect of adopting MFRS 9 and reclassification	2,595,298	1,271,097	6,063,509	7,561	(4,613,542)	(3,134,037)	2,189,886
Adjusted 1 January 2018	2,595,298	1,271,097	6,063,509	7,561	–	–	9,937,465
Changes in expected credit losses due to transferred within stages:	985,923	(829,533)	(156,390)	–	–	–	–
Transferred to Stage 1	1,437,380	(1,116,539)	(320,841)	–	–	–	–
Transferred to Stage 2	(391,963)	753,896	(361,933)	–	–	–	–
Transferred to Stage 3	(59,494)	(466,890)	526,384	–	–	–	–
Total charge to Income Statement:	(775,864)	793,187	2,008,486	(3,121)	–	–	2,022,688
New financial assets originated	1,257,216	235,185	99,833	–	–	–	1,592,234
Financial assets that have been derecognised	(915,501)	(384,548)	–	–	–	–	(1,300,049)
Writeback in respect of full recoveries	–	–	(211,584)	–	–	–	(211,584)
Change in credit risk	(1,117,579)	942,550	2,120,237	(3,121)	–	–	1,942,087
Write-offs	(2,072)	(84,261)	(2,399,383)	(2,011)	–	–	(2,487,727)
Exchange fluctuation	(395,787)	56,614	173,624	123	–	–	(165,426)
Other movements	63	11,460	(146,158)	–	–	–	(134,635)
At 31 December 2018	2,407,561	1,218,564	5,543,688	2,552	–	–	9,172,365

Notes to the Financial Statements
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12 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xi) Movements in the expected credit losses/allowance for loans, advances and financing are as follows: (Continued)

	The Group	
	Individual impairment allowance RM'000	Portfolio impairment allowance RM'000
At 1 January 2017	4,735,298	3,761,178
Net allowance made during the financial year	1,464,245	1,264,288
Amount written off	(1,013,707)	(1,591,550)
Allowance transferred to non-current asset held for sale	(22,223)	–
Allowance for impaired loan disposed to third party	(323,132)	(19,187)
Unwinding income	(35,836)	(47,517)
Exchange fluctuation	(191,103)	(233,175)
At 31 December 2017	4,613,542	3,134,037
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing (excluding RPSIA financing) less individual impairment allowance		1.49%

(xii) Movements in credit impaired/ impaired loans, advances and financing

Gross carrying amount movement for loans, advances and financing at amortised cost classified as credit impaired:

	The Group			
	Lifetime expected credit losses – Credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Impaired loans under MFRS 139 RM'000	Total RM'000
At 1 January 2018	**–**	**–**	**10,993,680**	**10,993,680**
Effect of adopting MFRS 9	**11,107,938**	**9,431**	**(10,993,680)**	**123,689**
Adjusted 1 January 2018	**11,107,938**	**9,431**	**–**	**11,117,369**
Transfer within stages	**2,194,585**	**–**	**–**	**2,194,585**
New financial assets originated	**327,069**	**–**	**–**	**327,069**
Write-offs	**(2,408,081)**	**(2,011)**	**–**	**(2,410,092)**
Amount fully recovered	**(596,876)**	**–**	**–**	**(596,876)**
Other changes in loans, advances and financing	**(347,292)**	**(101)**	**–**	**(347,393)**
Exchange fluctuation	**(208,183)**	**234**	**–**	**(207,949)**
At 31 December 2018	**10,069,160**	**7,553**	**–**	**10,076,713**

	The Group
	31 December 2018
Ratio of credit impaired loans to total loans, advances and financing	**2.91%**

12 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xii) Movements in credit impaired/ impaired loans, advances and financing (Continued)

Impact of movements in gross carrying amount on expected credit losses

Stage 1 expected credit losses ("ECL") decreased by RM776 million during the financial year mainly due to de-recognition of gross carrying amounts ("GCA") for loans, advances and financing from full settlement, write-back of ECL from lower GCA from partial settlement and lower ECL for GCA transferred from stage 2 to stage 1, offset by recognition of GCA from newly originated loans, advances and financing.

Stage 2 ECL increased by RM793 million mainly due to higher ECL for GCA transferred from stage 1 to stage 2.

Stage 3 ECL increased by RM2,005 million for the Group mainly due to higher ECL for GCA transferred from stage 1 and 2 to stage 3.

The write-off loans with a total GCA of RM2,410 million for the Group resulted in the reduction of stage 3 ECL.

	The Group
	RM'000
At 1 January 2017	10,645,339
Classified as impaired during the financial year	6,823,059
Reclassified as not impaired during the financial year	(2,237,254)
Amount written back in respect of recoveries	(1,141,212)
Amount written off	(2,606,446)
Sale of impaired loans	(523,904)
Reclassification to non-current asset held for sale	(21,666)
Exchange fluctuation	55,764
At 31 December 2017	10,993,680
Ratio of gross impaired loans to gross loans, advances and financing	3.39%

13 OTHER ASSETS

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Due from brokers and clients net of expected credit losses/allowance for impairment losses of RM7,502,880 (2017: RM6,331,487)	(a)	**524,649**	1,333,540	**–**	–
Other debtors net of expected credit losses/allowance for doubtful debts of RM53,142,977 (2017: RM47,491,622), deposits and prepayments	(b)	**6,648,849**	5,836,209	**135,486**	42,195
Structured financing		**1,187,605**	1,393,843	**–**	–
Foreclosed assets net of allowance for impairment losses of RM69,434,457 2017: RM51,624,914)	(c)	**172,382**	225,572	**–**	–
Collateral pledged for derivative transactions		**2,511,732**	2,232,436	**–**	–
Due from a joint venture	(d)	**1,004,758**	1,060,030	**–**	–
Collateral for securities borrowing		**–**	65,702	**–**	–
Deferred consideration		**156,236**	–	**–**	–
		12,206,211	12,147,332	**135,486**	42,195

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13 OTHER ASSETS (CONTINUED)

(a) Movements of lifetime expected credit losses/allowance for impairment losses on amount due from brokers and clients using simplified approach are as follows:

	The Group
	RM'000
At 1 January 2018	**6,332**
Effect of adopting MFRS 9	**–**
Adjusted 1 January 2018	**6,332**
Expected credit losses made during the financial year	**1,264**
Write off	**(93)**
At 31 December 2018	**7,503**

	The Group		
	Individual impairment allowance RM'000	Portfolio impairment allowance RM'000	Total RM'000
At 1 January 2017	53,397	6,659	60,056
Net allowance made/(write back) during the financial year	50,978	(381)	50,597
Reclassification to non-current asset held for sale	(53,398)	–	(53,398)
Exchange fluctuation	(50,977)	53	(50,924)
At 31 December 2017	–	6,331	6,331

(b) Movements of lifetime expected credit losses/allowance for doubtful debts on other debtors using simplified approach are as follows:

	The Group
	RM'000
At 1 January 2018	**47,492**
Expected credit losses made during the financial year	**22,078**
Write off	**(9,484)**
Reclassification to non-current asset held for sale	**(2,570)**
Disposal of subsidiaries	**(12)**
Exchange fluctuation	**(4,361)**
At 31 December 2018	**53,143**

	The Group
	RM'000
At 1 January 2017	71,390
Net allowance written back during the financial year	(3,412)
Write off	(528)
Reclassification to non-current asset held for sale	(12,446)
Exchange fluctuation	(7,512)
At 31 December 2017	47,492

13 OTHER ASSETS (CONTINUED)

(c) Foreclosed assets are stated at lower of carrying amount and fair value less cost to sale. Independent valuation of the foreclosed properties was performed by valuers to determine the fair value of the foreclosed properties as at 31 December 2018. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

Movements of allowance for impairment losses on foreclosed assets are as follows:

	The Group	
	2018 RM'000	**2017 RM'000**
At 1 January	**51,625**	98,344
Net allowance made during the financial year	**25,484**	28,918
Recoveries	**8,470**	–
Write off	**–**	(65,848)
Disposal during the financial year	**(5,841)**	(19,222)
Exchange fluctuation	**(10,304)**	9,433
At 31 December	**69,434**	51,625

(d) These comprises hire-purchase receivables belonging to Proton Commerce Sdn. Bhd. ("PCSB") that were de-recognised from the Group's loans, advances and financing as the risks and rewards relating to the cash flows of these hire–purchase receivables have been substantially transferred to PCSB. The derecognised hire-purchase receivables are regarded as amount due from joint venture.

14 DEFERRED TAXATION

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

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deferred tax assets	**1,052,808**	386,850	**–**	–
Deferred tax liabilities	**(30,175)**	(80,943)	**(374)**	(361)
	1,022,633	305,907	**(374)**	(361)

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14 DEFERRED TAXATION (CONTINUED)

The components of deferred tax assets and liabilities during the financial year prior to offsetting of balances within the same tax jurisdiction are as follows:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deferred tax assets (before offsetting)				
Expected credit losses	**749,295**	179,403	**–**	–
Fair value reserve – Debt instruments at fair value through other comprehensive income	**79,553**	–	**–**	–
Unutilised tax losses	**17,024**	15,463	**–**	–
Post employment benefits obligations	**82,173**	100,674	**–**	–
Provision for expenses	**295,198**	317,673	**–**	–
Cash flow hedge	**–**	6	**–**	–
Property, plant and equipment	**23,487**	16,540	**–**	–
EOP reserves	**11,576**	10,454	**–**	–
Other temporary differences	**22,959**	55,365	**–**	–
	1,281,265	695,578	**–**	–
Offsetting	**(228,457)**	(308,728)	**–**	–
Deferred tax assets (after offsetting)	**1,052,808**	386,850	**–**	–
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(75,572)**	(90,998)	**(374)**	(361)
Financial investments available-for-sale	**–**	(126,636)	**–**	–
Fair value reserve – Equity instruments at fair value through other comprehensive income	**(32,399)**	–	**–**	–
Intangible assets	**(118,848)**	(145,059)	**–**	–
Cash flow hedge	**(1,574)**	–	**–**	–
Other temporary differences	**(30,239)**	(26,978)	**–**	–
	(258,632)	(389,671)	**(374)**	(361)
Offsetting	**228,457**	308,728	**–**	–
Deferred tax liabilities (after offsetting)	**(30,175)**	(80,943)	**(374)**	(361)

14 DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred taxation account are as follows:

				Fair value reserve								
The Group	**Note**	**Expected credit losses RM'000**	**Accelerated tax depreciation RM'000**	**Debt instruments at fair value through other comprehensive income RM'000**	**Equity instruments at fair value through other comprehensive income RM'000**	**Revaluation reserve-financial investments available-for-sale RM'000**	**Other temporary differences RM'000**	**Intangible assets RM'000**	**Provision for expenses RM'000**	**Cash flow hedge RM'000**	**Post employment benefit obligations RM'000**	**Total RM'000**
Deferred tax assets/(liabilities)												
At 1 January 2018		179,403	(74,458)	-	-	(126,636)	54,304	(145,059)	317,673	6	100,674	305,907
Effect of adopting MFRS 9 and reclassification	60 (ii)	345,109	(594)	41,218	(12,620)	126,636	(32,828)	-	3,850	-	-	470,771
At 1 January 2018, as restated		524,512	(75,052)	41,218	(12,620)	-	21,476	(145,059)	321,523	6	100,674	776,678
Credited/(charged) to statements of income	45	240,922	28,167	(986)	-	-	(11,626)	26,397	(12,392)	-	571	271,053
(Under)/over provision in prior year		(266)	(9,811)	-	-	-	9,099	(186)	(1,001)	-	-	(2,165)
Transferred to equity		-	-	40,570	(19,770)	-	-	-	-	(1,616)	(19,190)	(6)
Disposal of subsidiaries		-	1,286	-	-		(292)	-	(9,572)	-	(776)	(9,354)
Exchange difference		(15,873)	3,313	(1,249)	(9)	-	2,786	-	(3,345)	36	894	(13,447)
Reclassified to non-current assets held for sale		-	12	-	-	-	(123)	-	(15)	-	-	(126)
At 31 December 2018		749,295	(52,085)	79,553	(32,399)	-	21,320	(118,848)	295,198	(1,574)	82,173	1,022,633

The Group	**Note**	**Individual impairment allowance/ Portfolio impairment allowance RM'000**	**Accelerated tax depreciation RM'000**	**Revaluation reserve-financial investments available-for-sale RM'000**	**Other temporary differences RM'000**	**Intangible assets RM'000**	**Provision for expenses RM'000**	**Cash flow hedge RM'000**	**Post employment benefit obligations RM'000**	**Total RM'000**
Deferred tax assets/(liabilities)										
At 1 January 2017		189,033	(90,097)	(71,364)	85,654	(174,340)	307,254	2,795	81,815	330,750
Credited/(charged) to statements of income	45	2,867	10,351	2,011	2,938	29,987	15,909	–	1,562	65,625
(Under)/over provision in prior year		(249)	932	–	(5,126)	(706)	2,536	–	–	(2,613)
Transferred to equity		–	–	(58,852)	206	–	–	(2,797)	17,603	(43,840)
Exchange difference		(10,215)	7,943	1,569	(1,978)	–	(8,026)	8	(306)	(11,005)
Reclassified to non-current assets held for sale		(2,033)	(3,587)	–	(27,390)	–	–	–	–	(33,010)
At 31 December 2017		179,403	(74,458)	(126,636)	54,304	(145,059)	317,673	6	100,674	305,907

Notes to the Financial Statements
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14 DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred taxation account are as follows: (Continued)

The Company	Note	Accelerated tax depreciation RM'000	Provision for expenses RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)					
At 1 January 2018		**(361)**	**–**	**–**	**(361)**
Charged to statements of income	**45**	**(13)**	**–**	**–**	**(13)**
At 31 December 2018		**(374)**	**–**	**–**	**(374)**

	Note	Accelerated tax depreciation RM'000	Provision for expenses RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)					
At 1 January 2017		(353)	–	–	(353)
Charged to statements of income	45	(8)	–	–	(8)
At 31 December 2017		(361)	–	–	(361)

15 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by certain subsidiaries with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities. The non-interest bearing statutory deposits of a foreign subsidiary and foreign branches of the bank subsidiary are maintained with respective central banks in compliance with the applicable legislation.

16 INVESTMENT IN SUBSIDIARIES

	The Company	
	2018 RM'000	2017 RM'000
Ordinary shares	**10,651,463**	7,869,942
Redeemable preference shares*	**19,183,781**	19,183,781
	29,835,244	27,053,723
Less: Allowance for impairment loss of a subsidiary	**(1,275)**	(1,275)
	29,833,969	27,052,448

* *Classified as cost of investment in subsidiaries due to the terms of the instruments*

As at 31 December 2017, the investment in CSI has been presented as held for sale following the announcement made by CIMB Group that CIMB Group Sdn Bhd ("CIMBG") entered into a Share Purchase Agreement with China Galaxy International Financial Holdings Limited ("CGI") to sell 50% of the issued and paid-up share capital of CSI to CGI for a total consideration approximated to S$167 million (approximately RM515 million) ("Proposed Disposal"). The Proposed Disposal was completed on 18 January 2018. Upon completion, CSI becomes the joint venture of the Group. Refer to Note 54(a).

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries:

The direct subsidiaries of the Company are:

Name of Subsidiary	Principal activities	Percentage of equity held 2018 %	2017 %
CIMB Berhad	Investment holding	**100**	100
CIMB Group Sdn. Bhd.	Investment holding	**100**	100
Commerce MGI Sdn. Bhd.	Dormant	**51**	51
Commerce Asset Realty Sdn. Bhd.	Holding of properties for letting to a related company	**100**	100
iCIMB (MSC) Sdn. Bhd.	Provision of management and outsourcing services	**100**	100
SBB Berhad	Dormant	**100**	100
CIMB Foundation[∞]	Charitable foundation	**–**	–
Premier Fidelity Sdn. Bhd.	Promoting, arranging and managing all kinds of sports and entertainment events of the Group	**100**	100
SP Charitable Trust Fund[∞#]	Special purpose vehicle	**–**	–
SP Charitable Trust Fund 2[∞#]	Special purpose vehicle	**–**	–

∞ *Consolidated in the Group as the substance of the relationship between the entities and the Company indicates that the entities are controlled by the Company*
\# *Audited by a firm other than member firms of PricewaterhouseCoopers International Limited.*

The subsidiaries held through CIMB Berhad are:

		Percentage of equity held			
		Directly by CIMB Berhad		Indirectly by the company	
Name of Subsidiary	Principal activities	2018 %	2017 %	2018 %	2017 %
CIMB Islamic Trustee Berhad	Trustee services	**20**	20	**100**	100
CIMB Commerce Trustee Berhad	Trustee services	**20**	20	**100**	100

The subsidiaries held through CIMB Group Sdn. Bhd. ("CIMBG") are:

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2018 %	2017 %	2018 %	2017 %
CIMB Bank Berhad ("CIMB Bank")	Commercial banking and related financial services	**99.9**	99.9	**–**	–
CIMB Investment Bank Berhad ("CIMB Investment Bank")	Investment banking and the provision of related financial services	**100**	100	**–**	–
PT Bank CIMB Niaga Tbk[+] (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	**91.5**	91.5	**1.0**	1.0
PT Commerce Kapital[#] (Incorporated in the Republic of Indonesia)	Investment holding	**99.0**	99.0	**1.0**	1.0
CIMB SI Sdn. Bhd.	Trading in securities and direct principal investments	**100**	100	**–**	–
CIMB SI I Sdn. Bhd.	Investment holding	**–**	–	**100**	100
CIMB SI II Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMB Private Equity Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMB Private Equity 1 Sdn. Bhd.[^]	Investment holding	**–**	–	**–**	28.2
Ekuiti Erasama Sdn. Bhd.[^]	Investment holding	**–**	–	**–**	19.7
Bigbite Ventures Sdn. Bhd.[^]	Investment holding	**–**	–	**–**	20.1

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16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries: (Continued)

The subsidiaries held through CIMBG are: (Continued)

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2018 %	2017 %	2018 %	2017 %
Top Sigma Sdn. Bhd.^	Investment holding	**–**	–	**–**	20.1
Mutiara Makmur Ventures Sdn. Bhd.^	Investment holding	**–**	–	**–**	100
CIMB Asia Security (General Partner) Limited (formerly known as Semantan Investment Holdings Ltd.) (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	**100**	100
CIMB General Partner Limited^ (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	**–**	100
CIMB Real Estate Sdn. Bhd.	Real estate investment	**100**	100	**–**	–
CIMB-Mapletree Management Sdn. Bhd.	Real estate fund management	**–**	–	**60**	60
CIMB-Principal Asset Management Berhad	Establishment and management of unit trust fund and fund management business	**–**	60	**–**	–
CIMB-Principal Asset Management Company Limited (Incorporated in the Kingdom of Thailand)	Investment and fund management and other related services	**–**	–	**–**	60
PT CIMB-Principal Asset Management (Incorporated in the Republic of Indonesia)	Establishment and management of unit trust fund and fund management business	**–**	–	**–**	59.4
CIMB Principal Asset Management (S) Pte. Ltd. (Incorporated in the Republic of Singapore)	Provision of management and investment analysis services	**–**	–	**–**	60
Finansa Asset Management Ltd (Incorporated in the Kingdom of Thailand)	Private fund management and mutual fund management	**–**	–	**–**	60
CIMB Wealth Advisors Berhad	Distribution of unit trust funds	**–**	–	**–**	60
Sathorn Asset Management Company Limited+ (Incorporated in the Kingdom of Thailand)	Asset Management	**–**	–	**99.9**	99.9
i-Wealth Advisors Sdn. Bhd.^^	Provision of management services and distribution of products and services	**60**	60	**–**	–
CIMB Strategic Assets Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMB Private Equity Advisors Sdn. Bhd.	Investment advisory	**100**	100	**–**	–
CGS-CIMB Holdings Sdn Bhd	Investment holding	**100**	–	**–**	–
Jupiter Securities Sdn Bhd	Securities and stock broking	**–**	–	**100**	–
Jupiter Equities Sdn Bhd	Money lending but not commence operations	**–**	–	**100**	–
JS Nominees (Tempatan) Sdn Bhd	Nominee services	**–**	–	**100**	–
JS Nominees (Asing) Sdn Bhd	Nominee services	**–**	–	**100**	–
Jupiter Research Sdn Bhd	Investment advisory	**–**	–	**100**	–
CIG Berhad	Insurance holding company	**100**	100	**–**	–

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries: (Continued)

The subsidiaries held through CIMBG are: (Continued)

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2018 %	2017 %	2018 %	2017 %
Commerce Asset Ventures Sdn. Bhd. ("CAV")	Investment holding company	**100**	100	**–**	–
Southeast Asia Special Asset Management Berhad	To invest in, purchase or otherwise acquire and deal with non-performing loans, credit and financing facilities or debts	**100**	100	**–**	–
CAV Private Equity Management Sdn. Bhd.^	Providing management, financial, corporate and advisory services	**–**	–	**–**	100
Commerce Technology Ventures Sdn. Bhd.^^	Investment holding	**–**	–	**100**	100
VC Prestige Sdn. Bhd.^	Investment trading	**–**	–	**–**	33.3
Commerce Agro Ventures Sdn. Bhd.^^	Investment holding	**–**	–	**33.3**	33.3
Edufuture Sdn. Bhd.^	Investment holding	**–**	–	**–**	30
Metro Bumimas Sdn. Bhd.^	Investment holding	**–**	–	**–**	33.3
Peranan Dinamik Sdn. Bhd.^	Investment holding	**–**	–	**–**	33.3
Prima Mahawangsa Sdn. Bhd.^	Investment holding	**–**	–	**–**	33.3
Tetap Fajar Sdn. Bhd.^^	Investment holding	**–**	–	**33.3**	33.3
Commerce-KPF Ventures Sdn. Bhd.^	Investment holding	**–**	–	**–**	30
Touch 'n Go Sdn. Bhd.	Establishment, operation and management of an electronic collection system for toll and transport operators	**–**	**–**	**32.2**	32.2
Commerce KNB Agro Teroka Sdn. Bhd.^^	Investment holding	**–**	–	**33.3**	33.33
Kota Bumimas Sdn. Bhd.^^	Investment holding	**–**	–	**33.3**	33.3
Jernih Hartamas Sdn. Bhd.^^	Investment holding	**–**	–	**33.3**	33.3
Limpahan Suria Sdn. Bhd.^^	Investment holding	**–**	–	**33.3**	33.3
Lot A Sentral Sdn. Bhd.	Property investment	**–**	–	**100**	100
CGS-CIMB Securities International Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Investment holding	**–**	100	**–**	–
CGS-CIMB Securities (Singapore) Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Stock and sharebroking	**–**	–	**–**	100
CGS-CIMB Securities (UK) Ltd.+ (Incorporated in the United Kingdom)	Securities related business	**–**	–	**–**	100
CGS-CIMB Securities (USA) Inc.# (Incoporated in the United States of America)	Securities related business	**–**	–	**–**	100
PT CGS-CIMB Sekuritas Indonesia+ (Incorporated in the Republic of Indonesia)	Stockbroking	**–**	–	**–**	90
CGS-CIMB Securities (Hong Kong) Ltd.+ (Incorporated in Hong Kong)	Securities broking, dealing and trading	**–**	–	**–**	100

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16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries: (Continued)

The subsidiaries held through CIMBG are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held: Directly by CIMBG 2018 %	Directly by CIMBG 2017 %	Through CIMBG's subsidiary company 2018 %	Through CIMBG's subsidiary company 2017 %
CIMB (Hong Kong) Limited+ (formerly khown as CIMB Securities (HK) Nominees Ltd) (Incorporated in Hong Kong)	Nominee services	**–**	–	**100**	100
CGS-CIMB Securities (India) Private Limited (Incorporated in India)	Stock and share broking	**–**	–	**–**	76.6
CGS-CIMB Research Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Research and advisory	**–**	–	**–**	100
CGS-CIMB Securities (Thailand) Co., Ltd.	Stock and share broking	**–**	–	**–**	99.9
CIMB Southeast Asia Research Sdn. Bhd. (CARI)	Public advocacy through research, publication and events	**100**	100	**–**	–
PT CIMB ASEAN Research# (Incorporated in the Republic of Indonesia)	Public advocacy through research, publication and events	**–**	–	**100**	100
PT Synergy Dharma Nayaga~ (Incorporated in the Republic of Indonesia)	Management consultancy	**–**	–	**100**	100
CIMB Investment Bank (Private) Limited (Incorporated in Sri Lanka)	Stock and share broking	**–**	–	**45**	45
CIMB Capital Markets (Australia) PTY Ltd+ (Incorporated in Australia)	Equity capital markets business	**–**	–	**100**	100
Caladiam Advisors India Private Limited+ (formerly khown as CIMB Corporate Finance (India) Private Limited) (Incorporated in India)	Corporate finance and advisory services	**–**	–	**100**	100
CSI Investment Limited+ (Incorporated in British Virgin Island)	Investment holding	**–**	–	**100**	100
MinorCap Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Dormant	**–**	–	**100**	100
Southern Asia Special Asset Vehicle Limited (formerly known as SBB Capital Corporation)	Special purpose vehicle	**–**	–	**100**	100
CIMB Bancom Capital Corporation	Investment banking	**60**	–	**–**	–

& Deemed a subsidiary by virtue of board control over the company's financial and operating policies
 # Audited by a firm other than member firms of PricewaterhouseCoopers International Limited
+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT
^ Disposed/strike off/disolved/liquidated/wound up during the financial year
~ Not being audited
^^ Under liquidation/winding up process

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries: (Continued)

The subsidiaries held through CIMBG'S direct subsidiary, CIMB investment Bank are:

		Percentage of equity held			
		Directly by CIMB Investment Bank		Through CIMB Investment Bank's subsidiary company	
Name of Subsidiary	Principal activities	2018 %	2017 %	2018 %	2017 %
CIMB Holdings Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB EOP Management Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Futures Sdn. Bhd.	Futures broking	**100**	100	**–**	–
CIMB Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Commerce Trustee Berhad	Trustee services	**–**	–	**20**	20
CIMB Islamic Trustee Berhad	Trustee services	**–**	–	**20**	20

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are:

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2018 %	2017 %	2018 %	2017 %
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	**100**	100	**–**	–
CIMB Islamic Trustee Berhad	Trustee to unit trust funds, public debt financing issues and private trusts and other corporate trusts	**20**	20	**40**	40
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Carrying on the business of a Labuan bank	**100**	100	**–**	–
Mutiara Aset Berhad	Financial services	**100**	100	**–**	–
iCIMB (Malaysia) Sdn. Bhd.	Provision of outsourcing services	**100**	100	**–**	–
CIMB Group Nominees Sdn. Bhd.	Providing of nominee services	**100**	100	**–**	–
CIMB Group Nominees (Tempatan) Sdn Bhd	Providing of nominee services	**100**	100	**–**	–
CIMB Group Nominees (Asing) Sdn. Bhd.	Providing of nominee services	**100**	100	**–**	–

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16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries: (Continued)

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are: (Continued)

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2018 %	2017 %	2018 %	2017 %
Semerak Services Sdn. Bhd.	Provide security, maintenance and related services	**–**	100	**–**	–
CIMB Islamic Bank Berhad	Islamic banking and related financial services	**100**	100	**–**	–
CIMB Trust Ltd. (Incorporated in the Federal Territory of Labuan)	Trustee services	**100**	100	**–**	–
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	**100**	100
BC Management Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	**100**	100
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	**–**	–	**100**	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Provision of nominee services	**–**	–	**100**	100
S.B. Venture Capital Corporation Sdn. Bhd.	Investment holding and provision of management services	**100**	100	**–**	–
BHLB Properties Sdn. Bhd.	To own and manage premises and other immovable properties	**100**	100	**–**	–
SBB Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	**100**	100	**–**	–
CIMB Nominees (S) Pte. Ltd.+ (Incorporated in the Republic of Singapore)	Provision of nominee services	**100**	100	**–**	–
SFB Auto Berhad	Financial services	**100**	100	**–**	–
CIMB Bank (Vietnam) Limited+ (Incorporated in Vietnam)	Banking activities	**100**	100	**–**	–
CIMB Bank PLC+ (Incorporated in Cambodia)	Commercial banking and related financial services	**100**	100	**–**	–
CIMB Commerce Trustee Berhad	Provision of trustee, custodian and nominees services	**20**	20	**40**	40
S.B. Properties Sdn. Bhd.	Property ownership and management	**100**	100	**–**	–
SFB Development Sdn. Bhd.	Property investment	**100**	100	**–**	–
SIBB Berhad	Investment dealing	**80**	80	**–**	–
Perdana Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	**–**	–	**80**	80
Commerce Returns Berhad∞^^	Investment holding	**100**	100	**–**	–

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries: (Continued)

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are: (Continued)

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2018 %	2017 %	2018 %	2017 %
CIMB Thai Bank Public Company Limited+ (Incorporated in the Kingdom of Thailand)	Commercial banking	**94.8**	94.1	**–**	–
Merdeka Kapital Berhad**	Engaged in the purchase from multi originators of receivables and the raising of funds and related activities	**–**	–	**–**	–
Ziya Capital Bhd.***	Implementing and carrying out an asset-backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	**–**	–	**–**	–

** *Consolidation of the silo of Merdeka Kapital Berhad*
In 2011, CIMB Bank obtained funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad ("MKB"), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 "Consolidated Financial Statements" in 2013, CIMB Bank has consolidated the silo of MKB in relation to CIMB Bank's hire purchase receivables, as this silo has been legally ring-fenced for this transaction. The securitisation transaction was completed in 2016.
On 31 March 2017, the Bank obtained new funding through securitisation of its hire purchase receivables to MKB.

*** *Consolidation of the silo of Ziya Capital Bhd*
On 12 August 2016, CIMB Islamic Bank obtained funding through securitisation of its hire purchase receivables to Ziya Capital Bhd ("Ziya"), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 "Consolidated Financial Statements", CIMB Islamic Bank has consolidated the silo of Ziya in relation to CIMB Islamic's hire purchase receivables, as this silo has been legally ring-fenced for this transaction.

\+ *Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.*

∞ *Consolidated in the Group as the substance of the relationship between the entities and the Company indicates that the entities are controlled by the Company*

^ *Company has been liquidated/disolved during the financial year*

^^ *Under strike off process*

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

Notes to the Financial Statements
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16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries: (Continued)

The subsidiaries held through PT Bank CIMB Niaga Tbk are:

Name of Subsidiary	Principal activities	Percentage of equity held 2018 %	2017 %
PT CIMB Auto Finance+ (Incorporated in the Republic of Indonesia)	Financing services	**99.9**	99.9
PT CIMB Niaga Sekuritas (Incorporated in the Republic of Indonesia)	Capital market business	**99.0**	–

The subsidiaries held through CIMB Thai Bank Public Company Limited are:

Name of Subsidiary	Principal activities	Percentage of equity held 2018 %	2017 %
CT Coll Co., Ltd.+ (Incorporated in the Kingdom of Thailand)	Services of debt collection and debt restructuring	**99.99**	99.99
CIMB Thai Auto Co Ltd+ (formerly known as Centre Auto Lease Co., Ltd.) (Incorporated in the Kingdom of Thailand)	Hire purchase sale & leaseback and financial lease	**99.99**	99.99
Worldlease Co., Ltd.+ (Incorporated in the Kingdom of Thailand)	Hire purchase of motorcycles	**99.99**	99.99
PC Pattanasup Company Limited^ (Incorporated in the Kingdom of Thailand)	Dormant	**99.93**	99.93

\+ *Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.*
^ *In the process of liquidation*

The subsidiary held through Touch 'n Go is:

Name of Subsidiary	Principal activities	Percentage of equity held 2018 %	2017 %
TNG Digital Sdn Bhd	Issuer of electronic money (e-money)	**51.0**	–

All the subsidiaries, unless otherwise stated, are incorporated in Malaysia.

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Details of subsidiaries that have material non-controlling interests:

Set out below are the Group's subsidiaries that have material non-controlling interests:

Name of Subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests 2018 RM'000	2017 RM'000	Profit allocated to non-controlling interests 2018 RM'000	2017 RM'000	Accumulated non-controlling interests 2018 RM'000	2017 RM'000
CIMB Thai Bank Public Company Limited Group (Incorporated in the Kingdom of Thailand)	**5.2**	5.9	**14,935**	5,205	**248,307**	236,613
CIMB-Principal Asset Management Berhad Group*	**–**	40.0	**–**	49,254	**–**	351,104
PT Bank CIMB Niaga Tbk Group (Incorporated in the Republic of Indonesia)	**7.5**	7.5	**77,492**	72,610	**628,421**	690,652
Touch' n Go Shd. Bhd.	**47.8**	47.8	**(10,969)**	14,640	**124,159**	80,831
Individually immaterial subsidiaries with non-controlling interests					**12,789**	1,756
					1,013,676	1,360,956

* *Ceased to be a subsidiary of the Group since May 2018. Refer Note 54(d)*

Summarised financial information for each subsidiary that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

RM'000	CIMB Thai Bank Public Company Limited Group 2018	2017	CIMB-Principal Asset Management Berhad Group 2018	2017	PT Bank CIMB Niaga Tbk Group 2018	2017	Touch'n Go Sdn. Bhd. Group 2018	2017
Total assets	**45,457,405**	37,188,183	**-**	1,332,602	**74,537,093**	78,683,981	**943,493**	838,607
Total liabilities	**(40,634,692)**	(33,173,350)	**-**	(454,169)	**(65,010,538)**	(68,556,303)	**(739,336)**	(668,303)
Net assets	**4,822,713**	4,014,833	**-**	878,433	**9,526,555**	10,127,678	**204,157**	170,304
Equity attributable to owners of the Company	**(4,822,713)**	(4,014,833)	**-**	(614,781)	**(9,526,272)**	(10,127,419)	**(147,346)**	(170,304)
Non-controlling interests ("NCI")	**-**	-	**-**	(263,652)	**(283)**	(259)	**(56,811)**	-
Revenue	**1,659,388**	1,716,745	**-**	329,744	**4,324,068**	4,942,312	**125,862**	122,025
Profit/(loss) before taxation	**348,019**	93,450	**-**	137,876	**1,420,348**	1,346,644	**(35,593)**	32,529
Taxation	**(92,723)**	(13,644)	**-**	(14,742)	**(387,219)**	(378,356)	**(8,934)**	(1,889)
Other comprehensive income	**97,821**	25,873	**-**	(2,957)	**(458,629)**	(1,137,264)	**-**	27
Total comprehensive income	**353,117**	105,679	**-**	120,177	**574,500**	(168,976)	**(44,527)**	30,667
Net cash (used in)/generated from operating activities	**2,369,890**	(2,461,466)	**-**	176,008	**364,227**	5,927,118	**59,535**	100,455
Net cash generated from/(used in) investing activities	**(4,382,732)**	1,831,208	**-**	(3,073)	**(386,425)**	(2,875,112)	**(34,857)**	(27,516)
Net cash generated from/(used in) financing activities	**1,959,977**	593,801	**-**	(78,151)	**(1,494,546)**	49,841	**79,380**	-
Net (decrease)/increase in cash and cash equivalents	**(52,865)**	(36,457)	**-**	94,784	**(1,516,744)**	3,101,847	**104,058**	72,939
Profit allocated to NCI of the Group	**14,935**	5,205	**-**	49,254	**77,492**	72,610	**(10,969)**	14,640
Dividends paid to NCI of the Group	**-**	-	**-**	32,000	**12,776**	-	**-**	-

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16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Effect of change in ownership interest in subsidiary that do not result in loss of control:

(i) On 4 September 2018, CIMB Thai Bank, a subsidiary of CIMB Bank, announced a proposed increase of its registered capital by THB3,951,569,703 via a proposed 3-for-20 rights offering of 4,542,034,141 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB0.87 per share. The exercise was completed on 19 October 2018 and CIMB Thai Bank successfully raised a total capital of approximately THB4.0 billion.

Subsequent to the completion of rights offering exercise, CIMB Bank's shareholding in CIMB Thai Bank has increased from 94.11% to 94.83% due to the full subscription to its allotment of shares and the subscription of excess shares which were not taken up by the minority shareholders.

The effect on the equity attributable to the owners of the Group during the year is summarised as follows:

	2018 RM'000	2017 RM'000
Carrying amount of non-controlling interests deemed acquired	**504,948**	663,891
Consideration paid to non-controlling interests	**(498,068)**	(482,935)
Excess of consideration received in equity attributable to owners of the Group	**6,880**	180,956

(d) Unconsolidated structured entity:

(i) Nature, purpose and extent of the Group's interest in unconsolidated structured entity

Investment Purposes

1) Investment Vehicle

CIMB Bank's involvement in unconsolidated structure entity ("USE") is for investment purposes with a view to invest in the USE's profit participation scheme ("PPS") as principal and on-sell to other investors. The PPS will be used to fund USE's purchase of the rights to all the present and future cash flows of dividends and other shareholders' distribution (the "Dividends") of the underlying assets. CIMB Bank earns a fixed payout amount per annum against its invested amount and the cash flows from the Dividends in accordance with a pre-agreed order of priority as set out in the terms of the PPS and will expire upon the final payment of the cash flows.

The Group does not consolidate the USE as the Group does not have control over the entity in accordance with MFRS 10.

(ii) Carrying amount, size and maximum exposure to loss

The following table shows the carrying amount of the Group's interest recognised in the consolidated statement of financial position as well as the maximum exposure to loss resulting from the interest. It also provides an indication of the size of the structured entity.

	Carrying amount as at	
	31 December 2018 Investment Vehicle RM'000	31 December 2017 Investment Vehicle RM'000
Equity instruments at fair value through other comprehensive income/Financial investments available-for-sale	**77,421**	77,330
Total assets	**77,421**	77,330

	Investment Vehicle RM'000	Investment Vehicle RM'000
Assets size of structured entity*	**3,966,507**	4,197,981

* *Where the Group does not have control over the USE, the assets size of the USE are based on the Group's best estimates.*

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Unconsolidated structured entity: (Continued)

(iii) Income from structured entity

	Income recognised in the statements of income for the financial year ended			
	31 December 2018		31 December 2017	
	Dividend Income RM'000	Total RM'000	Dividend Income RM'000	Total RM'000
Investment Vehicle	**976**	**976**	4,000	4,000
	976	**976**	4,000	4,000

17 INVESTMENT IN ASSOCIATES

	The Group	
	2018 RM'000	2017 RM'000
At 1 January	**76,199**	77,661
Share of profit/(loss) for the financial year	**3,576**	(121)
Additional investment in associates	**9,683**	2,463
Share of other comprehensive (expense)/income for the financial year	**(8,469)**	2,712
Disposal of associates	**–**	(3,966)
Dividend payment	**(6,093)**	(2,550)
At 31 December	**74,896**	76,199

	The Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	**3,834**	3,834

(a) Information about associates:

The principal place of business and country of incorporation of the associates is Malaysia unless stated otherwise. All associates are measured using the equity method. There are no available quoted market prices of the associates.

The direct associate of the Company is:

		Percentage of equity held	
Name of Associate	Principal activities	2018 %	2017 %
Touch 'n Go Sdn. Bhd. *	Establishment, operation and management of an electronic collection system for toll and transport operators	**20**	20

* *Consolidated in the Group, as the associate is a subsidiary to the Group.*

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17 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Information about associates: (Continued)

The associate held through CAV's subsidiary, Commerce-KPF is:

Name of Associate	Principal activities	Percentage of equity held 2018 %	 2017 %
Delphax Sdn. Bhd.^	Manufacturer of reconstructive & spinal implants, trauma & related orthopaedic surgical products	**–**	7.0

^ *Liquidated during the financial year*

The associates held through CAV's subsidiary, Commerce KNB Agro Teroka Sdn. Bhd. are:

Name of Associate	Principal activities	Percentage of equity held 2018 %	 2017 %
Manjung Aquatic Sdn. Bhd.	Dealer in business of merchant and dealer in marine products and its by products	**16.3**	16.3
Dragon Power Plantations Sdn. Bhd.	Growing and selling vegetables of all kinds and descriptions	**13.3**	13.3
PS Fresh Sdn. Bhd.	Distribution of farm products	**10.0**	10.0

The associate held through CIMB Group's subsidiary, CIG Berhad is:

Name of Associate	Principal activities	Percentage of equity held 2018 %	 2017 %
CIMB Howden Insurance Brokers Sdn. Bhd. (formerly known as CIMB Insurance Brokers Sdn. Bhd.)^^	Insurance broking	**51**	51

^^ *With effect from 30 December 2014, due to the change of the Board of Directors following the disposal of 49% stake to a third party, the Group has lost control over CIMB Insurance Broker ("CIB"). Therefore, CIB has ceased to be a subsidiary and is classified as an associate of the Group as at 31 December 2014.*

The associate held through CIMBG's subsidiary, CIMB Private Equity Sdn Bhd is:

Name of Associate	Principal activities	Percentage of equity held 2018 %	 2017 %
Mezzanine Holdings Sdn. Bhd.	Investment holding	**18.5**	18.5

17 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Information about associates: (Continued)

The associates held through CIMBG's subsidiary, CIMB Real Estate Sdn Bhd are:

Name of Associate	Principal activities	Percentage of equity held 2018 %	2017 %
CMREF 1 Sdn. Bhd.	Investment holding	**24.9**	24.9
Dynamic Concept One Sdn. Bhd.^	Property investment	**–**	24.9
Project Asia City Sdn. Bhd.	Property investment and management	**24.9**	24.9
Sentral Parc City Sdn. Bhd.^	Property investment	**–**	24.9
CMREF2 Shariah Sdn. Bhd.^	Real estate fund management	**–**	14.29
Green Transformation Sdn. Bhd.^	Dormant	**–**	14.29

^ *Liquidated during the financial year*

The associates held through CIMBG's subsidiary, CIMB Strategic Assets Sdn Bhd are:

Name of Associate	Principal activities	Percentage of equity held 2018 %	2017 %
Capital Advisors Partners Asia Sdn. Bhd.	Investment advisory services	**40.0**	40.0
Capital Advisors Partners Asia Pte. Ltd. (Incorporated in the Republic of Singapore)	Investment advisory services	**40.0**	40.0
Capasia Islamic Infrastructure Fund (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	Managing private fund	**40.0**	40.0
Capasia Asean Infrastructure Fund III (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	General Partner of The CapAsia Asean Infrastructure Fund III L.P	**40.0**	40.0
PT Cap Asia Indonesia (Incorporated in the Republic of Indonesia)	Business management consultancy services	**40.0**	40.0
AIGF Sponsor LP	Investment holding	**26.3**	26.2

Notes to the Financial Statements
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17 INVESTMENT IN ASSOCIATES (CONTINUED)

(b) The summarised financial information below represents amounts shown in the material associate's financial statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes):

	CIMB Howden Insurance Brokers Sdn. Bhd.	
	2018 RM'000	**2017 RM'000**
Total assets	**121,767**	137,574
Total liabilities	**(94,808)**	(114,679)
Net assets	**26,959**	22,895
Revenue	**35,220**	31,786
Profit for the financial year/Total comprehensive income for the financial year	**11,022**	8,553
Dividends paid by the associate during the financial year	**6,958**	5,000

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	CIMB Howden Insurance Brokers Sdn. Bhd.	
	2018 RM'000	**2017 RM'000**
Opening net assets as at 1 January	**22,895**	19,342
Profit for the financial year	**11,022**	8,553
Dividend paid	**(6,958)**	(5,000)
Closing net assets as at 31 December	**26,959**	22,895
Interest in associate (%)	**51.0%**	51.0%
Interest in associate	**12,171**	10,098
Goodwill	**765**	765
Remeasurement gain	**30,987**	30,987
Carrying value	**43,923**	41,850

(d) Aggregate information of associates that are not individually material:

	2018 RM'000	**2017 RM'000**
The Group's share of loss for the financial year	**(2,045)**	(4,483)
The Group's share of other comprehensive (expense)/income for the financial year	**(8,469)**	2,712
The Group's share of total comprehensive expense for the financial year	**(10,514)**	(1,771)
Aggregate carrying amount of the Group's interest in these associates	**30,973**	34,349

18 INVESTMENT IN JOINT VENTURES

	The Group	
	2018 RM'000	**2017 RM'000**
At 1 January	**183,731**	173,680
Share of profit for the financial year	**30,678**	12,895
Share of other comprehensive income/(expense) for the financial year	**65,168**	(58)
Equity interest retained as joint ventures (Note 59)	**1,402,869**	–
Disposal of joint ventures	**(2,333)**	14
Dividend payment	**(40,643)**	(2,800)
At 31 December	**1,639,470**	183,731

(a) Details of joint ventures:

The principal place of business and country of incorporation of the joint ventures is Malaysia unless stated otherwise. All joint ventures are measured using the equity method. There are no available quoted market prices of the joint ventures.

		Percentage of equity held through subsidiary company	
Name of Joint Ventures	**Principal activities**	**2018 %**	**2017 %**
Proton Commerce Sdn. Bhd.	Development management and marketing of hire purchase or leasing facilities in respect of the purchase or use of Proton and other vehicles	**50**	50
CIMB-Principal Islamic Asset Management Sdn. Bhd.	Establishment and management of unit trust fund and fund management business in accordance with shariah principles	**40**	50
Capasia South East Asian Strategic Asset Fund (General Partner) Ltd.^ (Incorporated in the Cayman Islands)	Investment advisory services	**–**	60
CIMB-MC Capital Ltd. (Incorporated in the Cayman Islands)	Investment holding	**50**	50
AIGF Advisors Pte. Ltd. (formerly known as CIMB Capital Pte. Ltd.) (Incorporated in the Republic of Singapore)	Investment advisory services	**50**	50
AIGF Management Company Ltd. (Incorporated in the Cayman Islands)	General Partner	**45**	45

^ *Liquidated during the financial year*

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18 INVESTMENT IN JOINT VENTURES (CONTINUED)

(a) Details of joint ventures: (Continued)

Name of Joint Ventures	Principal activities	Percentage of equity held 2018 %	Percentage of equity held 2017 %
CGS-CIMB Securities International Pte. Ltd. (Incorporated in the Republic of Singapore)	Investment holding	**50**	–
CGS-CIMB Securities (Singapore) Pte. Ltd. (Incorporated in the Republic of Singapore)	Stock and sharebroking	**50**	–
CGS-CIMB Securities (UK) Ltd. (Incorporated in the United Kingdom)	Securities related business	**50**	–
CGS-CIMB Securities (USA) Inc. (Incoporated in the United States of America)	Securities related business	**50**	–
PT CGS-CIMB Sekuritas Indonesia (Incorporated in the Republic of Indonesia)	Stockbroking	**50**	–
PT CGS-Konsultan Manajemen	Management consultant	**50**	–
PT CGS-CIMB Futures Indonesia (Incorporated in Indonesia)	Trading commodity future	**50**	–
CGS - CIMB Capital Pte Ltd (Incorporated in the Republic of Singapore)	Loan services	**50**	–
CGS-CIMB Securities (Hong Kong) Limited (Incorporated in Hong Kong)	Securities broking, dealing and trading	**50**	–
CGS-CIMB Securities (India) Private Limited (Incorporated in India)	Stock and share broking	**50**	–
CGS-CIMB Research Pte. Ltd. (Incorporated in the Republic of Singapore)	Research and advisory	**50**	–
CGS-CIMB Securities (Thailand) Co., Ltd.	Stock and share broking	**50**	–
CIMB-Principal Asset Management Berhad	Establishment and management of unit trust fund and fund management business	**40**	–
CIMB-Principal Asset Management Company Limited (Incorporated in the Kingdom of Thailand)	Investment and fund management and other related services	**40**	–
PT CIMB-Principal Asset Manajemen (Incorporated in the Republic of Indonesia)	Establishment and management of unit trust fund and fund management business	**39.6**	–
CIMB Principal Asset Management (S) Pte. Ltd. (Incorporated in the Republic of Singapore)	Provision of management and investment analysis services	**40**	–
Finansa Asset Management Ltd (Incorporated in the Kingdom of Thailand)	Private fund management and mutual fund management	**40**	–
CIMB Wealth Advisors Berhad	Distribution of unit trust funds	**40**	–

18 INVESTMENT IN JOINT VENTURES (CONTINUED)

(b) Details of material joint venture:

Proton Commerce Sdn. Bhd.

On 22 October 2003, Bumiputra-Commerce Finance Berhad ("BCF") (now known as Mutiara Aset Berhad) entered into a joint venture agreement with Proton Edar Sdn. Bhd. ("PESB") for the purposes of building and operating a competitive vehicle financing business in Malaysia for vehicles distributed by PESB. Subsequently, a joint ventures was incorporated under the name of Proton Commerce Sdn. Bhd. ("PCSB") which is 50%:50% owned by BCF and PESB respectively. PCSB is primarily responsible for developing, managing and marketing hire purchase loans for vehicles sold to the customers of PESB. Pursuant to the joint venture, BCF issued RM200 million Perpetual Preference Shares ("PPS") which were fully subscribed by PCSB. Pursuant to the vesting of the finance company business and the related assets and liabilities of BCF to CIMB Bank and the subsequent capital reduction exercise undertaken by BCF, the BCF PPS were cancelled, and CIMB Bank issued RM200 million PPS to PCSB.

CIMB-Principal Asset Management Bhd ("CPAM")

On 11 January 2018, CIMB Group Sdn Bhd ("CIMBG") entered into sale and purchase agreements to divest 20% equity stake in CPAM to PIA ("Proposed Divestment"). On 25 May 2018, the proposed divestment was completed, and CPAM ceased to be a subsidiary of the Group. Refer Note 54(d).

CIMB Securities International Pte. Ltd. ("CSI")

On 17 October 2016, CIMBG, a wholly-owned subsidiary of the Company, has signed a Heads of Terms with China Galaxy International Financial Holdings Limited ("CGI"), a wholly-owned subsidiary of China Galaxy Securities Co. Ltd. ("CGS"), with respect to a potential strategic partnership in the cash equities business in the region.

On 6 June 2017, CIMBG has signed a conditional Share Purchase Agreement with CGI with respect to the sale of 50% of the issued and paid-up share capital of CIMB Securities International Pte. Ltd. ("CSI") to CGI ("Proposed Disposal"). The Proposed Disposal was completed on 18 January 2018. Refer Note 54(a).

(c) The summarised financial information below represents amounts shown in the material joint venture's Financial Statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes):

	PCSB		CPAM		CSI	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-current assets	**1,275,906**	1,324,956	**462,331**	–	**100,945**	–
Current assets	**545,817**	899,319	**918,441**	–	**4,882,047**	–
Current liabilities (non-trade)	**(1,475,519)**	(1,600,878)	**(444,910)**	–	**(2,844,919)**	–
Non-current liabilities (non-trade)	**(2,477)**	(284,022)	**–**	–	**(1,347,364)**	–
Net assets	**343,727**	339,375	**935,862**	–	**790,709**	–
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	**8,969**	326,702	**552**	–	**685,718**	–
Revenue	**74,656**	84,382	**234,074**	–	**520,419**	–
Profit for the financial year/Total comprehensive income for the financial year	**4,352**	9,317	**89,095**	–	**(18,486)**	–
The above profit for the financial year include the following:						
Interest income	**65,653**	72,277	**4,409**	–	**204,417**	–
Interest expense	**(40,132)**	(46,360)	**(1)**	–	**(91,196)**	–
Taxation	**(1,792)**	(3,675)	**(16,467)**	–	**(18,016)**	–

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18 INVESTMENT IN JOINT VENTURES (CONTINUED)

(d) **Reconciliation of the summarised financial information to the carrying amount of the interest in the material joint venture recognised in the consolidated financial statements:**

	PCSB		CPAM		CSI	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Opening net assets 1 January	**339,375**	330,058	**–**	–	**–**	–
Additions during the year	**–**	–	**2,251,356**	–	**1,004,655**	–
Profit for the financial year	**4,352**	9,317	**89,095**	–	**(18,486)**	–
Other comprehensive income	**–**	–	**2,497**	–	**128,494**	–
Dividend payment	**–**	–	**(100,000)**	–	**–**	–
Closing net assets as at 31 December	**343,727**	339,375	**2,242,948**	–	**1,114,663**	–
Change in stake			**(1,307,086)**		**(323,954)**	
			935,862		**790,709**	
Interest in joint venture (%)	**50%**	50%	**40%**	–	**50%**	–
Interest in joint venture	**171,864**	169,688	**897,179**	–	**557,332**	–

(e) **Aggregate information of joint ventures that are not individually material:**

	2018 RM'000	**2017 RM'000**
The Group's share of profit for the financial year	**19,926**	8,236
The Group's share of other comprehensive income/(expense) for the financial year	**422**	(58)
The Group's share of total comprehensive income for the financial year	**20,348**	8,178
Aggregate carrying amount of the Group's interest in these joint ventures	**13,095**	14,043

19 PROPERTY, PLANT AND EQUIPMENT

The Group 2018	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Computer equipment and software under lease RM'000	Motor vehicle RM'000	Total RM'000
Cost												
At 1 January		190,755	24,646	1,804	873,919	43,297	387,666	1,881,987	1,214,009	69,505	116,775	4,804,363
Additions		67,863	6,616	–	105,553	28,036	24,139	632,883	46,392	545	10,020	922,047
Reclassified to non-current assets held for sale	58	–	(24)	–	(16,704)	(12,334)	–	(24,714)	(16,992)	–	(1,115)	(71,883)
Disposals/Written off		(560)	(643)	–	(5,195)	–	(4,428)	(82,670)	(171,707)	(10)	(35,917)	(301,130)
Transfer/reclassification		–	–	–	–	–	–	(123,609)	134,469	(10,860)	–	–
Reclassified (to)/from intangible assets	23	–	–	–	–	–	–	(166,197)	5,893	–	–	(160,304)
Exchange fluctuation		(4,615)	–	–	4,453	(523)	(14,073)	(48,437)	4,447	(36)	444	(58,340)
At 31 December		253,443	30,595	1,804	962,026	58,476	393,304	2,069,243	1,216,511	59,144	90,207	5,134,753

The Group 2018	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Computer equipment and software under lease RM'000	Motor vehicle RM'000	Total RM'000
Accumulated depreciation and impairment loss												
At 1 January		6,898	8,045	1,004	150,630	26,636	251,134	1,344,155	882,281	56,140	85,794	2,812,717
Charge for the financial year		–	701	–	16,901	1,226	26,823	126,801	100,475	4,969	18,662	296,558
Disposals/Written off		–	(331)	–	(1,077)	–	(4,709)	(68,103)	(46,635)	(10)	(33,575)	(154,440)
Transfer/reclassifications		–	–	–	–	–	1,285	–	–	–	–	1,285
Reclassified (to)/from intangible assets	23	–	–	–	–	–	–	–	–	(650)	–	(650)
Reclassified to non-current assets held for sale	58	–	(24)	–	(7,441)	(12,021)	–	(17,322)	(15,376)	–	(1,098)	(53,282)
Exchange fluctuation		171	–	–	2,344	(126)	(8,924)	(22,715)	4,412	(35)	238	(24,635)
At 31 December		7,069	8,391	1,004	161,357	15,715	265,609	1,362,816	925,157	60,414	70,021	2,877,553
Net book value at 31 December 2018		246,374	22,204	800	800,669	42,761	127,695	706,427	291,354	(1,270)	20,186	2,257,200

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM76,269,907 for the Group.

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19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2017	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Computer equipment and software under lease RM'000	Motor vehicle RM'000	Total RM'000
Cost												
At 1 January		209,153	24,330	1,804	886,406	43,465	420,593	2,034,240	1,317,146	61,136	151,128	5,149,401
Additions		874	1,200	–	–	375	18,705	466,537	125,455	2,569	10,395	626,110
Reclassified to non-current assets held for sale	58	(1,604)	–	–	(6,632)	–	–	(80,632)	(141,016)	(1,917)	(4,209)	(236,010)
Disposals/Written off		(1,175)	(884)	–	(4,401)	(392)	(11,102)	(215,838)	(117,152)	(5,620)	(39,992)	(396,556)
Reclassification		–	–	–	–	–	–	(44,322)	32,272	12,050	–	–
Reclassified (to)/from intangible assets	23	–	–	–	–	–	–	(154,164)	4,689	1,332	43	(148,100)
Exchange fluctuation		(16,493)	–	–	(1,454)	(151)	(40,530)	(123,834)	(7,385)	(45)	(590)	(190,482)
At 31 December		190,755	24,646	1,804	873,919	43,297	387,666	1,881,987	1,214,009	69,505	116,775	4,804,363

The Group 2017	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Computer equipment and software under lease RM'000	Motor vehicle RM'000	Total RM'000
Accumulated depreciation and impairment loss												
At 1 January		6,948	7,882	1,004	146,577	26,093	260,704	1,411,530	987,363	55,885	104,936	3,008,922
Charge for the financial year		–	575	–	15,816	778	25,256	150,960	129,594	6,391	22,658	352,028
Disposals/Written off		–	(412)	–	(6,401)	(183)	(9,010)	(88,325)	(113,731)	(5,496)	(37,486)	(261,044)
Reclassified (to)/from intangible assets	23	–	–	–	–	–	–	(122)	–	1,332	–	1,210
Reclassified to non-current assets held for sale	58	–	–	–	(4,569)	–	–	(53,758)	(113,464)	(1,917)	(3,083)	(176,791)
Exchange fluctuation		(50)	–	–	(793)	(52)	(25,816)	(76,130)	(7,481)	(55)	(1,231)	(111,608)
At 31 December		6,898	8,045	1,004	150,630	26,636	251,134	1,344,155	882,281	56,140	85,794	2,812,717
Net book value at 31 December 2017		183,857	16,601	800	723,289	16,661	136,532	537,832	331,728	13,365	30,981	1,991,646

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM13,296,139 for the Group.

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2018	Leasehold land 50 years or more RM'000	Buildings on leasehold land 50 years or more RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Motor vehicle RM'000	Total RM'000
Cost						
At 1 January	**648**	**864**	**1,095**	**6**	**1,526**	**4,139**
Additions	**–**	**–**	**–**	**–**	**690**	**690**
At 31 December	**648**	**864**	**1,095**	**6**	**2,216**	**4,829**
Accumulated depreciation						
At 1 January	**103**	**692**	**777**	**6**	**1,444**	**3,022**
Charge for the financial year	**6**	**13**	**35**	**–**	**50**	**104**
At 31 December	**109**	**705**	**812**	**6**	**1,494**	**3,126**
Net book value at 31 December 2018	**539**	**159**	**283**	**–**	**722**	**1,703**

The Company 2017	Leasehold land 50 years or more RM'000	Buildings on leasehold land 50 years or more RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and hardware RM'000	Motor vehicle RM'000	Total RM'000
Cost						
At 1 January/At 31 December	648	864	1,095	6	1,526	4,139
Accumulated depreciation						
At 1 January	97	679	739	6	1,127	2,648
Charge for the financial year	6	13	38	–	317	374
At 31 December	103	692	777	6	1,444	3,022
Net book value at 31 December 2017	545	172	318	–	82	1,117

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20 INVESTMENT PROPERTIES

The Company 2018	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
Cost			
At 1 January/31 December	**235**	**561**	**796**
Accumulated depreciation			
At 1 January	**–**	**379**	**379**
Charge for the financial year	**–**	**18**	**18**
At 31 December	**–**	**397**	**397**
Net book value at 31 December 2018	**235**	**164**	**399**
Fair value as at 31 December 2018	**1,460**	**1,240**	**2,700**
2017			
Cost			
At 1 January/31 December	235	561	796
Accumulated depreciation			
At 1 January	–	361	361
Charge for the financial year	–	18	18
At 31 December	–	379	379
Net book value at 31 December 2017	235	182	417
Fair value as at 31 December 2017	1,300	1,060	2,360

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land buildings in close proximity are adjusted for differences in key attributes such as property sizes.

21 PREPAID LEASE PAYMENTS

The Group 2018	Leasehold land less than 50 years RM'000	Total RM'000
Cost		
At 1 January	**286,730**	**286,730**
Disposals/Write-off	**(19)**	**(19)**
Exchange fluctuation	**63**	**63**
At 31 December	**286,774**	**286,774**
Amortisation and impairment loss		
At 1 January	**184,817**	**184,817**
Amortisation during the financial year	**10,230**	**10,230**
Disposals/Write-off	**(19)**	**(19)**
Exchange fluctuation	**60**	**60**
At 31 December	**195,088**	**195,088**
Net book value at 31 December 2018	**91,686**	**91,686**

The Group 2017	Leasehold land less than 50 years RM'000	Total RM'000
Cost		
At 1 January	288,540	288,540
Reclassified to non-current assets held for sale	(1,778)	(1,778)
Exchange fluctuation	(32)	(32)
At 31 December	286,730	286,730
Amortisation and impairment loss		
At 1 January	174,611	174,611
Reclassified to non-current assets held for sale	(954)	(954)
Amortisation during the financial year	11,187	11,187
Exchange fluctuation	(27)	(27)
At 31 December	184,817	184,817
Net book value at 31 December 2017	101,913	101,913

Future amortisation of prepaid land lease is as follows:

Leasehold land less than 50 years	2018 RM'000	2017 RM'000
The Group		
– Not later than one year	**10,230**	11,187
– Later than one year and not later than five years	**40,920**	44,748
– More than five years	**40,536**	45,978
	91,686	101,913

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22 GOODWILL

	Note	The Group 2018 RM'000	2017 RM'000
Cost			
At 1 January		**8,420,710**	8,667,305
Disposal of subsidiaries	54(d)	**(290,506)**	–
Reclassified to non-current assets held for sale		**(395,465)**	–
Exchange fluctuation		**(54,643)**	(246,595)
At 31 December		**7,680,096**	8,420,710
Impairment			
At 1 January		**(194,965)**	(194,965)
Reclassified to non-current assets held for sale		**194,965**	–
At 31 December		**–**	(194,965)
Net book value at 31 December		**7,680,096**	8,225,745

Allocation of goodwill to cash-generating-units

Goodwill has been allocated to the following cash-generating-units ("CGUs"). These CGUs do not carry any intangible assets with indefinite useful lives:

	2018 RM'000	2017 RM'000
CGU		
Consumer Banking	**1,262,272**	1,262,272
Retail Finance Services	**136,000**	136,000
Islamic Banking	**425,803**	425,803
Group Cards	**911,000**	911,000
Commercial Banking		
Wholesale Banking	**419,000**	419,000
Corporate Banking	**–**	200,500
Retail and Institutional Equity	**537,000**	537,000
Treasury		
Asset Management	**–**	281,772
Malaysia	**–**	8,734
Thailand		
Foreign Banking Operations	**2,578,349**	2,578,349
Indonesia	**1,199,277**	1,199,277
Thailand		
Others	**51,082**	51,082
Touch 'n Go	**160,313**	214,956
Exchange fluctuation	**7,680,096**	8,225,745

22 GOODWILL (CONTINUED)

Impairment test for goodwill

Value-in-use

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2019 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments.

The estimated terminal growth rates and discount rates used for value-in-use calculations are as follows:

	2018		2017	
	Terminal Growth rate	Discount rate	Terminal Growth rate	Discount rate
Retail Finance Services	**4.27%**	**7.47%**	4.20%	6.92%
Islamic Banking	**4.27%**	**7.47%**	4.20%	6.92%
Group Cards	**4.27%**	**7.47%**	4.20%	6.92%
Commercial Banking	**4.27%**	**7.47%**	4.20%	6.92%
Corporate Banking	**4.27%**	**7.47%**	4.20%	6.92%
Retail and Institutional Equity	**2.00%**	**7.00%**	2.00%	8.19%
Treasury	**4.27%**	**7.47%**	4.20%	6.92%
Asset Management				
– Malaysia	**–**	**–**	4.20%	6.92%
– Thailand	**–**	**–**	2.00%	5.05%
Foreign banking operations				
– Indonesia	**2.00%**	**10.69%**	2.00%	11.16%
– Thailand	**2.00%**	**4.88%**	2.00%	5.05%
Others – Touch 'n Go	**4.27%**	**7.47%**	4.20%	6.92%

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

Impairment charge

There was no impairment charge for the financial year ended 31 December 2018 and 31 December 2017.

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23 INTANGIBLE ASSETS

The Group	Note	Customer relationship RM'000	Core deposits RM'000	Securities stockbroking license RM'000	Computer software RM'000	License and club debentures RM'000	Total RM'000
2018							
Cost							
At 1 January		**211,980**	**1,348,558**	**–**	**3,310,508**	**3,040**	**4,874,086**
Additions during the financial year		**–**	**–**	**–**	**129,047**	**–**	**129,047**
Disposals/write off during the financial year		**–**	**–**	**–**	**(55,346)**	**(2,494)**	**(57,840)**
Reclassified from property, plant and equipment	19	**–**	**–**	**–**	**160,304**	**–**	**160,304**
Exchange fluctuation		**18**	**–**	**–**	**(26,617)**	**(176)**	**(26,775)**
At 31 December		**211,998**	**1,348,558**	**–**	**3,517,896**	**370**	**5,078,822**
Accumulated amortisation and impairment							
At 1 January		**207,517**	**976,947**	**–**	**1,868,471**	**782**	**3,053,717**
Amortisation during the financial year		**4,464**	**71,773**	**–**	**280,350**	**–**	**356,587**
Disposals/write off during the financial year		**–**	**–**	**–**	**(32,607)**	**(235)**	**(32,842)**
Reclassified from property, plant and equipment	19	**–**	**–**	**–**	**650**	**–**	**650**
Exchange fluctuation		**17**	**–**	**–**	**(7,614)**	**(177)**	**(7,774)**
At 31 December		**211,998**	**1,048,720**	**–**	**2,109,250**	**370**	**3,370,338**
Net book value at 31 December 2018		**–**	**299,838**	**–**	**1,408,646**	**–**	**1,708,484**
2017							
Cost							
At 1 January		211,988	1,348,558	38,892	3,248,532	22,672	4,870,642
Additions during the financial year		–	–	–	85,809	–	85,809
Disposals/write off during the financial year		–	–	–	(66,152)	–	(66,152)
Reclassified from property, plant and equipment	19	–	–	–	148,100	–	148,100
Reclassified to non-current assets held for sale		–	–	(38,041)	(15,004)	(17,678)	(70,723)
Exchange fluctuation		(8)	–	(851)	(90,777)	(1,954)	(93,590)
At 31 December		211,980	1,348,558	–	3,310,508	3,040	4,874,086
Accumulated amortisation and impairment							
At 1 January		194,763	899,258	38,892	1,700,047	1,082	2,834,042
Amortisation during the financial year		12,762	77,689	–	254,950	69	345,470
Disposals/write off during the financial year		–	–	–	(31,624)	–	(31,624)
Reclassified from property, plant and equipment	19	–	–	–	(1,210)	–	(1,210)
Reclassified to non-current assets held for sale		–	–	(38,041)	(11,723)	(406)	(50,170)
Exchange fluctuation		(8)	–	(851)	(41,969)	37	(42,791)
At 31 December		207,517	976,947	–	1,868,471	782	3,053,717
Net book value at 31 December 2017		4,463	371,611	–	1,442,037	2,258	1,820,369

The above intangible assets include software under construction at cost of RM202,120,699 (2017: RM173,919,502).

23 INTANGIBLE ASSETS (CONTINUED)

The valuation of customer relationship was determined through the sum of the discounted future excess earnings attributable to existing customers over the remaining life span of the customer relationships. Income from existing credit card, revolving credit, overdraft and trade finance loan base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 9.9%-10%, which is arrived at using the weighted average cost of capital adjusted for the risk premium after taking into consideration the average market cost of equity.

The valuation of core deposits acquired in a business combination was derived by discounting the anticipated future benefits in the form of net interest savings from core deposits. The discount rate used was 8.0%-8.4%, which was derived from the average of the weighted average cost of capital and the cost of equity, reflecting the lower risk premium for core deposit intangibles compared with equity returns.

The remaining amortisation period of the intangible assets with finite life is as follows:

Core deposits	1 – 10 years
Computer software	1 – 15 years
Club debentures	6 – 7 years

24 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	The Group	
	2018 RM'000	**2017 RM'000**
Demand deposits	**79,085,839**	79,756,629
Savings deposits	**44,720,070**	44,866,036
Fixed deposits	**165,742,429**	152,681,467
Negotiable instruments of deposit	**304,083**	757,296
Others	**80,340,664**	70,456,849
	370,193,085	348,518,277

The maturity structure of fixed deposits and negotiable instruments of deposit is as follows:

	The Group	
	2018 RM'000	**2017 RM'000**
Due within six months	**133,532,948**	130,397,967
Six months to one year	**30,374,069**	21,691,798
One year to three years	**2,025,308**	817,391
Three years to five years	**114,122**	503,703
More than five years	**65**	27,904
	166,046,512	153,438,763

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24 DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) By type of customer

	The Group	
	2018 RM'000	**2017 RM'000**
Government and statutory bodies	**10,566,326**	12,138,585
Business enterprises	**138,181,711**	125,298,378
Individuals	**164,157,280**	152,824,739
Others	**57,287,768**	58,256,575
	370,193,085	348,518,277

25 INVESTMENT ACCOUNTS OF CUSTOMERS

		The Group	
	Note	**2018 RM'000**	**2017 RM'000**
Unrestricted investment accounts	62(s)	**1,769,270**	907,763

26 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2018 RM'000	**2017 RM'000**
Licensed banks	**17,163,634**	16,147,617
Licensed finance companies	**993,543**	1,223,313
Licensed investment banks	**157,684**	28,577
Bank Negara Malaysia	**292**	6,176
Other financial institutions	**1,917,727**	2,345,893
	20,232,880	19,751,576

The maturity structure of deposits and placements of banks and other financial institutions is as follows:

	The Group	
	2018 RM'000	**2017 RM'000**
Due within six months	**19,489,750**	18,881,063
Six months to one year	**641,868**	768,501
One year to three years	**101,262**	1,581
Three years to five years	**–**	100,431
	20,232,880	19,751,576

The Group has undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM100,000,000 (2017: RM124,867,000) using interest rate swaps.

27 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2018 RM'000	2017 RM'000
Deposits from customers - structured investments	**1,355,488**	1,903,205
Debentures	**1,873,520**	650,016
Bills payable	**2,651,699**	2,220,219
	5,880,707	4,773,440

The Group has issued structured investments, bills payables and debentures, and have designated them at fair value in accordance with MFRS 9. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the Group at 31 December 2018 of financial liabilities designated at fair value through profit or loss were RM147,262,000 (2017: RM282,365,000) lower than the contractual amount at maturity for the structured investments, RM31,214,000 (2017: RM18,142,000) lower than the contractual amount at maturity for the debentures and RM377,634,000 (2017: RM345,801,000) higher than the contractual amount at maturity for the bills payable.

28 OTHER LIABILITIES

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Due to brokers and clients		**475,959**	1,218,166	**–**	–
Expenditure payable		**2,310,996**	2,272,653	**2,381**	1,356
Provision for legal claims		**60,062**	72,959	**–**	–
Sundry creditors		**722,106**	3,941,563	**–**	–
Structured deposits		**7,055,128**	6,281,745	**–**	–
Allowance for commitments and contingencies	(a)	**502,337**	49,095	**–**	–
Post employment benefit obligations	30	**358,740**	469,270	**–**	–
Credit card expenditure payable		**263,934**	201,714	**–**	–
Collateral pledged for derivative transactions		**1,307,759**	1,626,637	**–**	–
Collateral for securities lending		**85,213**	72,023	**–**	–
Others		**1,905,058**	1,583,754	**69**	361
		15,047,292	17,789,579	**2,450**	1,717

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28 OTHER LIABILITIES (CONTINUED)

(a) The movements in the allowance for commitments and contingencies are as follows:

	The Group				
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Individual impairment provision under MFRS 139 RM'000	Total RM'000
At 1 January 2018	–	–	–	49,095	49,095
Effect of adopting MFRS 9	320,175	77,738	112,512	(49,095)	461,330
Adjusted 1 January 2018	320,175	77,738	112,512	–	510,425
Changes in expected credit losses due to transferred within stages:	121,101	(97,802)	(23,299)	–	–
Transferred to Stage 1	133,076	(110,689)	(22,387)	–	–
Transferred to Stage 2	(11,618)	20,079	(8,461)	–	–
Transferred to Stage 3	(357)	(7,192)	7,549	–	–
Total charge to Income Statement:	(107,272)	80,678	19,167	–	(7,427)
New exposures	149,897	2,107	1,128	–	153,132
Exposures derecognised or matured	(74,537)	(45,286)	(9,812)	–	(129,635)
Change in credit risk	(182,632)	123,857	27,851	–	(30,924)
Exchange fluctuation	(233)	(2,024)	1,338	–	(919)
Other movements	(99)	272	85	–	258
At 31 December 2018	333,672	58,862	109,803	–	502,337

	The Group 2017 RM'000
At 1 January 2017	65,133
Net allowance written back during the financial year	(10,364)
Exposures derecognised	(5,460)
Exchange fluctuation	(214)
At 31 December 2017	49,095

As at 31 December 2018, the gross exposures of loan commitments and financial guarantee contracts that are credit impaired is RM174,597,000.

29 RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

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

30 POST EMPLOYMENT BENEFIT OBLIGATIONS

		The Group	
	Note	2018 RM'000	2017 RM'000
Defined contribution plan – EPF	(a)	**36,860**	34,183
Defined benefit plans	(b)	**321,880**	435,087
		358,740	469,270

(a) Defined contribution plan

Group companies incorporated in Malaysia contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

(b) Defined benefit plans

The Group operates final salary defined benefit plans for its employees in Indonesia and Thailand under Labor Law of respectively countries, the assets of which are held in separate trustee-administered funds that are governed by local authorities and practice in each country. The plan calls for benefits to be paid to eligible employee at retirement or when the employees resign. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The majority of benefits payments are from trustee-administrated funds; however, there are also a number of unfunded plans where the company meets the benefit payment obligation as it falls due.

The latest actuarial valuations of the plans in Indonesia and Thailand were carried out in 2018.

The amount recognised in the statements of financial position in respect of defined benefit plans is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Present value of funded obligations	**406,831**	519,106
Fair value of plan assets	**(266,783)**	(262,913)
Status of funded plan	**140,048**	256,193
Present value of unfunded obligations	**181,832**	178,894
Status of defined benefit pension plans	**321,880**	435,087
Liability in statement of financial position	**321,880**	435,087

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30 POST EMPLOYMENT BENEFIT OBLIGATIONS

(b) Defined benefit plans (Continued)

The movements in the defined benefit obligation over the financial year are as follows:

The Group	Present value of obligation RM'000	Fair value of plan assets RM'000	Total RM'000
At 1 January 2018	698,000	(262,913)	435,087
Current service costs	153,783	–	153,783
Underprovision in prior year	(438)	–	(438)
Interest expense/(income)	39,058	(18,159)	20,899
Disposal of a subsidiary	(3,211)	–	(3,211)
Components of defined benefits costs recognised in statement of income	189,192	(18,159)	171,033
Remeasurement:			
– Return on plan assets, excluding amounts included in interest expense	–	15,174	15,174
– Gain from changes in financial assumptions	(101,303)	–	(101,303)
– Experience gains	(9,161)	–	(9,161)
Components of defined benefits costs recognised in statement of comprehensive (income)/expense	(110,464)	15,174	(95,290)
Exchange fluctuation	(18,579)	11,231	(7,348)
Contributions:			
– Employer contributions	–	(1,604)	(1,604)
– Plan participant	–	(40,337)	(40,337)
Payments from plans – benefits paid	(169,486)	29,825	(139,661)
At 31 December 2018	**588,663**	**(266,783)**	**321,880**

30 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The movements in the defined benefit obligation over the financial year are as follows: (Continued)

The Group	Present value of obligation RM'000	Fair value of plan assets RM'000	Total RM'000
At 1 January 2017	729,420	(290,919)	438,501
Current service costs	59,344	–	59,344
Over provision in prior year	(3,555)	–	(3,555)
Interest expense/(income)	41,966	(22,320)	19,646
Components of defined benefits costs recognised in statement of income	97,755	(22,320)	75,435
Remeasurement:			
– Return on plan assets, excluding amounts included in interest expense	–	(3,816)	(3,816)
– Loss from changes in demographic assumptions	1,871	–	1,871
– Loss from changes in financial assumptions	52,805	–	52,805
– Experience loss	17,617	–	17,617
Components of defined benefits costs recognised in statement of comprehensive expense/(income)	72,293	(3,816)	68,477
Exchange fluctuation	(58,815)	30,279	(28,536)
Contributions:			
– Employer contributions	–	(2,011)	(2,011)
– Plan participant	–	(8,015)	(8,015)
Receivables	(1)	–	(1)
Payments from plans – benefits paid	(105,950)	29,770	(76,180)
Reclassification to non-current liabilities held for sale	(36,702)	4,119	(32,583)
At 31 December 2017	**698,000**	**(262,913)**	**435,087**

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The significant principal actuarial assumptions used in respect of the Group's defined benefit plans are as follows:

	2018		2017	
The Group	Thailand %	Indonesia %	Thailand %	Indonesia %
Discount rates	**2.75**	**8.30**	2.75	7.25
Expected return on plan assets	**N/A**	**8.30**	N/A	8.50
Future salary increases	**5.00**	**6.00**	5.00	6.00
Rate of price inflation – other fixed allowance	**1.75**	**N/A**	2.00	N/A

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30 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The sensitivity of defined benefit obligation to changes in the weighted principal assumption is:

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
2018			
Discount rates	**0.5% – 1%**	**Decreased by 12.8%**	**Increased by 2.6%**
Expected return on plan assets	**1.0%**	**Decreased by 0.5%**	**Increased by 0.5%**
Future salary increases	**1.0%**	**Increased by 4.8%**	**Decreased by 14.8%**
2017			
Discount rates	0.5% – 1%	Decreased by 12%	Increased by 6.5%
Expected return on plan assets	1.0%	Decreased by 0.4%	Increased by 0.4%
Future salary increases	1.0%	Increased by 8%	Decreased by 13.3%

Projected unit credit method is used in calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The Group's plan assets are comprised as follows:

	The Group					
	2018			**2017**		
	Quoted RM'000	**Unquoted RM'000**	**Total RM'000**	**Quoted RM'000**	**Unquoted RM'000**	**Total RM'000**
Equity instruments (by geography)						
Indonesia	**39,437**	**–**	**39,437**	51,460	–	51,460
Debt instruments (by type)						
Government bonds	**56,248**	**–**	**56,248**	62,948	–	19,844
Corporate bonds (investment grade)	**13,914**	**–**	**13,914**	19,844	–	62,948
Cash and cash equivalent	**–**	**117,721**	**117,721**	–	83,532	83,532
Mutual funds	**35,859**	**–**	**35,859**	39,474	–	39,474
Others	**–**	**3,604**	**3,604**	–	5,655	5,655
	145,458	**121,325**	**266,783**	173,726	89,187	262,913

The expected contribution to post employment benefits plan for the financial year ending 31 December 2019 is RM23,985,000 to the Group.

The weighted average duration of the defined benefit obligation is 11.0 years (2017: 12.5 years).

30 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

Expected maturity analysis of undiscounted defined benefits plans:

	Less than a year RM'000	Between 1-2 years RM'000	Between 2-5 years RM'000	Over 5 years RM'000	Total RM'000
2018					
Defined benefits plan	**34,473**	**26,562**	**79,710**	**575,598**	**716,343**
2017					
Defined benefits plan	37,611	27,542	104,511	918,000	1,087,664

31 BONDS, SUKUK AND DEBENTURES

		The Group	
		2018 RM'000	**2017 RM'000**
THB Short term debenture	(a)	**–**	380,044
HKD171 million notes (2013/2018)	(b)	**–**	66,821
SGD20 million notes (2013/2018)	(c)	**–**	60,930
IDR1,450,000 million bonds (Series A: 2013/2015; Series B: 2013/2016; Series C: 2013/2018)	(d)	**–**	256,539
HKD300 million notes (2014/2019)	(e)	**129,078**	129,017
HKD150 million notes (2014/2019)	(f)	**79,467**	78,030
AUD100 million notes (2014/2019)	(g)	**292,574**	292,534
HKD1,130 million notes (2014/2019)	(h)	**537,678**	532,872
USD313 million notes (2015/2045; callable in 2020)	(i)	**1,521,448**	1,426,725
SGD100 million notes (2015/2018)	(j)	**–**	306,512
CNY220 million notes (2015/2018)	(k)	**–**	137,326
CNY130 million notes (2016/2019)	(l)	**82,425**	82,494
CNY130 million notes (2016/2019)	(m)	**78,754**	78,801
Ziya Capital Berhad Sukuk (2016/2021)	(n)	**358,265**	462,256
IDR1,000,000 million bonds (Series A: 2016/2017; Series B: 2016/2019; Series C: 2016/2021)	(o)	**163,921**	170,860
USD15 million bonds (2017/2022)	(p)	**62,204**	60,919
USD600 million notes (2017/2020)	(q)	**2,486,212**	2,435,444
USD500 million bonds (2017/2022)	(r)	**2,088,626**	2,046,727
USD2.65 million bonds (2017/2022)	(s)	**5,716**	10,780
Merdeka Kapital (2017/2024)	(t)	**756,398**	829,234
THB2.0 billion debenture (2017/2020)	(u)	**255,771**	249,572
HKD874 million notes (2017/2021)	(v)	**495,231**	495,252
RM1 billion notes (2017/2022)	(w)	**1,005,184**	1,005,063
RM1.2 billion notes (2017/2024)	(w)	**1,206,503**	1,206,352
RM800 million notes (2017/2027)	(w)	**804,430**	804,327
IDR2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022)	(x)	**344,910**	601,327
IDR2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022)	(y)	**433,549**	603,515
RM1 million Sukuk Wakalah (2017/2018)	(z)	**–**	–
THB Structured debentures	(aa)	**129,769**	137,331
IDR1,021,000 million bonds (Series A: 2018/2019; Series B: 2018/2021; Series C: 2018/2023)	(ab)	**291,764**	–
IDR1,000,000 million bonds (Series A: 2018/2021; Series B: 2018/2019)	(ac)	**287,508**	–
		13,897,385	14,947,604
Fair value changes arising from fair value hedges		**(182,204)**	(51,979)
		13,715,181	14,895,625

31 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(a) THB Short term debentures

In 2017, CIMB Thai Bank issued various unsecured short term debentures with maturity dates varying from 1 month to 6 months. The debentures carry fixed interest rates of 1.21% to 1.45%, payable at respective maturity dates.

(b) HKD171 million notes

On 22 January 2013, CIMB Bank issued a HKD171 million 5-year senior unsecured Fixed Rate Notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 22 January 2018. It bears a coupon rate of 1.60% per annum payable quarterly in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD171 million notes using cross currency interest rate swaps.

On 22 January 2018, CIMB Bank has redeemed its HKD171 million 5-year senior unsecured fixed rate notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

(c) SGD20 million notes

On 22 March 2013, CIMB Bank, acting through its Singapore Branch, issued SGD20 million 5-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 22 March 2018 (subject to adjustment in accordance with the modified following business day convention). The notes bear a coupon rate of 1.67% per annum payable semi-annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the SGD20 million notes using interest rate swaps.

On 22 March 2018, CIMB Bank has redeemed its SGD20 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

(d) IDR1,450,000 million bonds

CIMB Niaga, has issued 2-year Series A, 3-year Series B and 5-year Series C Senior Bond of IDR285 billion, IDR315 billion and IDR850 billion respectively, totalling IDR1.450 trillion on 20 November 2013. The bonds will mature on 20 November 2015, 20 November 2016 and 20 November 2018 for Series A, Series B and Series C respectively. The bonds bear fixed coupon rate of 8.75% per annum, 9.15% per annum and 9.75% per annum for Series A, Series B and Series C respectively payable quarterly in arrears from the date of issuance.

CIMB Niaga has fully redeemed the 2-year Series A Senior Bond of IDR285 billion, 3-year Series B Bond of IDR315 billion and 5-year Series C Senior Bond of IDR850 billion upon its maturity in 2015, 2016 and 2018 respectively.

(e) HKD300 million notes

On 14 May 2014, CIMB Bank issued HKD300 million 5-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 14 May 2019 (subject to adjustment in accordance with the modified following business day convention). It bears a fixed coupon rate of 2.70% per annum payable annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign currency risk of the HK300 million notes using cross currency interest rate swaps.

(f) HKD150 million notes

On 21 August 2014, CIMB Bank issued HKD150 million 5-year senior unsecured notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 21 August 2019 (subject to adjustment in accordance with the modified following business day convention). It bears a fixed coupon rate of 2.47% per annum payable annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the HKD150 million notes using interest rate swaps.

(g) AUD100 million notes

On 25 September 2014, CIMB Bank Berhad issued AUD100 million 5-year senior fixed rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 25 September 2019. It bears a coupon rate of 4.375% per annum payable annually in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign currency risk of the AUD100 million notes using cross currency interest rate swaps.

31 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(h) HKD1,130 million notes

On 20 November 2014, CIMB Bank Berhad issued HKD1,130 million 5-year senior fixed rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 12 November 2019 (subject to adjustment in accordance with the modified following business day convention). The Notes bear a coupon rate of 2.46% per annum payable quarterly in arrears.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the HKD500 million notes using interest rate swaps.

CIMB Bank has also undertaken fair value hedge on the interest rate risk and foreign currency risk of the HKD630 million notes using cross currency interest rate swaps.

(i) USD313 million notes

On 5 May 2015, CIMB Bank Berhad issued USD313 million 30-year callable zero coupon notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 5 May 2045, and are callable from 5 May 2020 and every two years thereafter up to 5 May 2044. The Notes have a yield to maturity of 4.50% per annum.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the USD313 million notes using interest rate swaps.

(j) SGD100 million notes

On 30 June 2015, CIMB Bank Berhad, acting through its Singapore branch, issued SGD100 million 3-year senior fixed rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 30 June 2018 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 2.12% per annum payable semi-annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the SGD100 million notes using interest rate swaps.

On 2 July 2018, CIMB Bank had redeemed its SGD100 million 3-year senior fixed rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

(k) CNY220 million notes

On 6 August 2015, CIMB Bank Berhad issued CNY220 million 3-year senior fixed rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 6 August 2018 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 4.25% per annum payable annually.

CIMB Bank has also undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY220 million notes using cross currency interest rate swaps.

On 6 August 2018, CIMB Bank has redeemed its CNY220 million 3-year senior fixed rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

(l) CNY130 million notes

On 18 May 2016, CIMB Bank Berhad issued CNY130 million 3-year senior fixed rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 18 May 2019 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 4.20% per annum payable annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY130 million notes using cross currency interest rate swaps.

(m) CNY130 million notes

On 20 July 2016, CIMB Bank Berhad issued CNY130 million 3-year senior fixed rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 20 July 2019 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 3.95% per annum payable annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY130 million notes using cross currency interest rate swaps.

31 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(n) Ziya Capital Berhad Sukuk

On 12 August 2016, Ziya Capital Bhd ("Ziya"), a special purpose vehicle consolidated by CIMB Islamic Bank, issued a RM630 million Sukuk that bears a profit distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021.

Ziya is a special purpose vehicle set up to undertake multi securitisation transactions. During the financial year, CIMB Islamic Bank has partially redeemed RM104 million (2017: RM124 million).

(o) IDR1,000,000 million bonds

On 3 November 2016, CIMB Niaga issued unsecured IDR1,000,000 million bonds. The bonds are divided into three series:

(i) Series A Bond

The nominal value of the bonds amounted to IDR432,000 million with a tenor of 1 year which has matured on 13 November 2017. It bears fixed interest rate of 7.25% per annum.

(ii) Series B Bond

The nominal value of the bonds amounted to IDR386,000 million with a tenor of 3 years which will mature on 3 November 2019. It bears fixed interest rate of 8.00% per annum.

(iii) Series C Bond

The nominal value of the bonds amounted to IDR182,000 million with a tenor of 5 years which will mature on 3 November 2021. It bears fixed interest rate of 8.25% per annum.

(p) USD15 million bonds

On 8 March 2017, CIMB Bank issued USD15 million 5-year senior floating rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 8 March 2022 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of USD 3-month LIBOR + 0.97% per annum payable quarterly.

(q) USD600 million bonds

On 15 March 2017, CIMB Bank issued USD600 million 3-year senior floating rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on the interest payment date falling in or nearest to March 2020 and bears a coupon rate of USD 3-month LIBOR + 0.80% per annum payable quarterly.

(r) USD500 million bonds

On 15 March 2017, CIMB Bank issued USD500 million 5-year senior fixed rate notes (the "FXD Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The FXD Notes will mature on 15 March 2022 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 3.263% per annum payable semi-annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the USD500 million notes using interest rate swaps.

(s) USD2.65 million bonds

On 28 March 2017 and 27 April 2017, CIMB Bank issued USD2.15 million and USD0.5 million credit linked notes (the "CLN") under its MYR5.0 billion Multi-Currency (excluding Ringgit) Structured Note Programme, which was established on 12 May 2014, respectively. The CLN, which is linked to a specified Reference Entity, will mature on 20 June 2022 and bears a coupon rate of 3.80% per annum payable semi-annually.

(t) Merdeka Kapital

On 31 March 2017, Merdeka Kapital Berhad ("MKB"), a special purpose vehicle consolidated by CIMB Bank, issued RM880 million Medium Term Note (the "MTN") which bears a coupon rate of 3.92% per annum payable on monthly basis. The MTN is subject to monthly redemption with final redemption due on 28 March 2024. During the financial year, CIMB Bank has undertook a partial redemption of the MTN amounting to RM74.4 million (2017: RM49.6 million).

CIMB Bank has undertaken fair value hedge on the interest rate of the MTN using interest rate swaps.

(u) THB2.0 billion Debenture

On 8 May 2017, Center Auto Lease Co. Ltd, a subsidiary of CIMB Thai Bank issued THB2 billion debentures. The debentures will mature on 8 May 2020 and bears a coupon rate of 2.44% per annum payable semi annually. The debenture is guaranteed by CIMB Thai Bank.

31 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(v) HKD874 million notes

On 9 May 2017, CIMB Bank issued HKD874 million 4-year senior fixed rate notes (the "Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on the interest payment date falling in or nearest to May 2021 and bears a coupon rate of 2.31% per annum payable annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD874 million notes using cross currency interest rate swaps.

(w) RM1.0 billion notes, RM1.2 billion notes and RM800 million notes

On 18 May 2017, CIMB Bank issued RM1.0 billion 5-year senior medium term notes (the "MTN"), RM1.2 billion 7-year MTN and RM800.0 million 10-year MTN under its senior medium term notes programme of RM20.0 billion in nominal value. The MTNs will mature on 18 May 2022, 17 May 2024 and 18 May 2027 respectively and bear coupon rates of 4.40% per annum, 4.60% per annum and 4.70% per annum respectively, payable semi-annually.

CIMB Bank has undertaken fair value hedge on the interest rate of the RM2.8 billion notes using interest rate swaps.

(x) IDR2,000,000 million bonds

On 23 August 2017, CIMB Niaga issued unsecured IDR2,000,000 million bonds. Purpose of the bond is to expand the credit in order to develop the business. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR802,000 million, IDR376,000 million and IDR822,000 million respectively, with fixed interest rate of 6.75%, 7.70% and 8.15% per annum respectively.

On 3 September 2018, CIMB Niaga has redeemed its Series A Bond of IDR2,000,000 million bonds amounted to IDR802,000 million.

(y) IDR2,000,000 million bonds

On 2 November 2017, CIMB Niaga issued unsecured IDR2,000,000 million bonds. Purpose of the bond is to expand the credit in order to develop the business. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR500,000 million, IDR657,000 million and IDR843,000 million respectively, with fixed interest rate of 6.20%, 7.50% and 7.75% per annum respectively.

On 12 November 2018, CIMB Niaga has redeemed its Series A Bond of IDR2,000,000 million bonds amounted to IDR500,000 million.

(z) RM1.0 million Sukuk Wakalah

On 29 December 2017, CIMB Islamic Bank issued RM1.0 million Sukuk Wakalah (the "Sukuk") under its Sukuk Wakalah Programme of RM10.0 billion in nominal value. The Sukuk will mature on 31 December 2018 and bear periodic distribution rate of 4.00% per annum, payable semi-annually. The Sukuk was held by a subsidiary of the Company, hence the amount was eliminated at consolidated level.

CIMB Islamic Bank redeemed its RM1.0 million Sukuk Wakalah on 31 December 2018.

(aa) Structured debentures

CIMB Thai Bank issued various unsecured structured debentures with embedded foreign exchange derivatives and early redemption option. The debentures will mature within 3 years from the respective issuance dates. It bears variable interest rates, depending on the underlying foreign exchange rates movements, payable at respective maturity dates.

(ab) IDR1,021,000 million bonds

On 20 September 2018, CIMB Niaga issued IDR1,021,000 million bonds. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR766,000 million, IDR137,000 million and IDR118,000 million respectively, with fixed interest rate of 7.50%, 8.50% and 8.80% per annum respectively.

(ac) IDR1,000,000 million bonds

On 15 November 2018, CIMB Niaga issued IDR1,000,000 million bonds. The bonds are divided into two series. Nominal value of 1 year Series A Bond and 3 years Series B Bond amounted to IDR441,000 million and IDR559,000 million respectively, with fixed interest rate of 8.35% and 9.25% per annum respectively.

Notes to the Financial Statements
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32 OTHER BORROWINGS

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Commercial Papers/Medium Term Notes	(a)	**350,856**	350,816	**350,856**	350,816
Term loan	(b)	**8,356,691**	8,102,875	**3,002,670**	3,002,191
Others	(c)	**599,093**	1,603,604	**–**	200,106
		9,306,640	10,057,295	**3,353,526**	3,553,113

(a) CPs/MTNs of the Company

The Conventional Commercial Papers ("CPs"), Islamic Commercial Papers ("CPs") Conventional Medium Term Notes ("MTNs") and Islamic Medium Term Notes ("iMTNs") were issued by the Company.

The CPs and iCPs are unsecured. The aggregate outstanding nominal value of the CPs and iCPs at any point in time shall not exceed RM6 billion.

The MTNs and iMTNs are unsecured. The aggregate outstanding nominal value of the MTN and iMTN at any point in time shall not exceed RM6 billion.

On 9 June 2017, the Company issued RM350 million MTNs which will mature on 11 June 2018. The MTNs carry an interest rate of 4.05% per annum payable semi-annually in arrears. On 11 June 2018, the Company has redeemed its RM350 million MTNs.

On 11 June 2018, the Company issued RM350 million MTNs which will mature on 12 June 2019. The MTNs carry an interest rate of 4.25% per annum payable semi-annually in arrears.

(b) Term loans of the Company

In 2009, the Company secured an unsecured term loan amounting to RM1.0 billion to refinance its existing borrowings. The term loan is repaid in full on 26 June 2018. It bears a floating interest rate of 3.85% (2017: 3.55%) per annum.

In 2011, the Company secured another unsecured term loan amounting to RM1.0 billion. The term loan is repaid in full on 27 October 2017. It bears a floating interest rate of 3.61% per annum in 2017.

In 2012, the Company secured a term loan amounting to USD190 million from its subsidiary which bears a floating rate of 1.2% plus USD Cost of fund per annum. The term loan is secured by shares of its subsidiaries. The term loan is fully drawdown as of 31 December 2013. The term loan has matured on 30 October 2017.

In 2015, the Company secured an unsecured term loan amounting RM1.0 billion refinance its existing borrowings. The term loan is repaid in full on 14 December 2018. It bears a floating interest rate of 3.93% (2017: 3.67%) per annum. The term loan is partially drawdown up to RM700 million as of 31 December 2015 and the remaining RM300 million was drawdown in February 2016.

In 2017, the Company secured an unsecured term loan amounting RM1.0 billion to refinance its existing borrowings. The term loan is repayable in full on 27 October 2022. It bears a floating interest rate of 3.87% (2017: 3.61%) per annum. The term loan is drawdown in October 2017.

In 2018, the Company secured an unsecured term loan amounting RM2.0 billion to refinance its existing borrowings. The term loan is repayable in full on 26 June 2023 and 21 December 2023 respectively. They bear floating interest rates of 3.89% and 3.93% per annum. The term loan is drawdown in June and December 2018 respectively.

(b) Term loans of the Group

Included in term loans of the Group are term loans of RM5,258,491,000 (2017: RM5,100,684,000) undertaken by CIMB Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 29 March 2019 (2017: 2 February 2018) being the earliest to mature and 26 August 2022 (2017: 3 October 2022) being the latest to mature. Interest rates charged are between 3.25% to 3.63% per annum (2017: 2.15% to 2.50% per annum).

(c) In 2015, the Company secured a revolving credit amounting to RM200 million from its subsidiary which bears an interest rate of 3.87% per annum. The facility is unsecured roll over on monthly basis. The revolving credit facility has matured on 26 April 2018.

Included in others of the Group are short term and long term borrowing of RM628,113,014 (2017: RM1,736,812,305) undertaken by CIMB Niaga and its subsidiaries. The maturity dates ranges from less than 1 month to 5 years (2017: 1 month to 4 years), with interest rates charged ranging from 2.86% to 9.50% per annum (2017: 0.08% to 10.50% per annum).

33 SUBORDINATED OBLIGATIONS

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Subordinated Notes 2010/2020 IDR1,600,000 million	(a)	**458,114**	478,507	**–**	–
Subordinated Bonds 2008/2038 RM1.0 billion	(b)	**–**	1,014,906	**–**	–
Subordinated Sukuk RM850 million (1st tranche due in 2024, optional redemption in 2019; 2nd tranche due in 2021, redeemed in 2016; 3rd tranche due in 2022, redeemed in 2017)	(c)	**167,595**	165,134	**–**	–
Subordinated Debt 2010/2025 RM2 billion, (1st tranche due in 2020, redeemed in 2015; (2nd tranche due in 2025, optional redemption in 2020)	(d)	**1,008,616**	1,011,964	**–**	–
Subordinated Notes 2009/2059 RM1.38 billion	(e)	**1,380,276**	1,380,828	**1,380,276**	1,380,828
Subordinated Notes 2010/2060 RM150 million and RM600 million, callable with step-up in 2020	(f)	**532,190**	523,264	**609,186**	609,186
Subordinated Debt RM1.5 billion (1st tranche due in 2021, redeemed in 2016; 2nd tranche due in 2026, callable in 2021)	(g)	**93,000**	93,590	**–**	–
Subordinated Debts 2013/2023 RM1.05 billion	(h)	**–**	1,061,951	**–**	–
Subordinated Notes 2014/2024 RM400 million	(i)	**401,769**	409,920	**–**	–
Subordinated Debts 2015/2025 RM2 billion	(j)	**2,001,500**	2,001,693	**2,002,258**	2,001,693
Additional Tier 1 Securities RM1.0 billion	(k)	**1,004,131**	1,004,899	**1,005,721**	1,005,562
Subordinated debts 2016/2026 RM570 million	(l)	**95,348**	103,696	**–**	–
Subordinated debts 2016/2026 RM1.35 billion	(m)	**1,375,758**	1,375,758	**–**	–
Additional Tier 1 Securities RM400 million	(n)	**397,399**	399,936	**400,904**	400,844
Subordinated debts 2017/2027 RM1.5 billion	(o)	**1,506,443**	1,506,443	**1,506,444**	1,506,443
Subordinated Sukuk 2017/2027 RM300 million	(p)	**–**	–	**–**	–
Subordinated debts 2018/2028 RM700 million	(q)	**709,018**	–	**709,018**	–
Subordinated debts 2018/2028 RM390 million	(r)	**93,154**	–	**–**	–
Subordinated debts 2018/2029 RM1.2 billion	(s)	**1,217,648**	–	**1,217,648**	–
Additional Tier 1 Securities RM1.0 billion	(t)	**1,009,950**	–	**1,010,356**	–
Subordinated debts 2018/2023 IDR75 billion	(u)	**10,536**	–	**–**	–
Subordinated debts 2018/2025 IDR75 billion	(v)	**10,535**	–	**–**	–
		13,472,980	12,532,489	**9,841,811**	6,904,556
Fair value changes arising from fair value hedges		**9,292**	476	**–**	–
		13,482,272	12,532,965	**9,841,811**	6,904,556

(a) Subordinated Notes 2010/2020 IDR1,600,000 million

The unsecured Subordinated Notes 2010/2020 IDR1,600,000 million ("the Notes") were issued by CIMB Niaga on 23 December 2010. The Notes were issued at scriptless, with term of 10 years from the emission date and with fixed interest rate of 10.85% per annum. The Notes were listed on the Indonesia Stock Exchange on 27 December 2010.

(b) Subordinated Bonds 2008/2038 RM1.0 billion

The RM1.0 billion unsecured subordinated bonds ("the RM1.0 billion Bonds") were issued by CIMB Bank at par on 7 October 2008 under the Innovative Tier I Capital Securities Programme ("T-1 Issue") which was approved by the Securities Commission on 24 September 2008. The RM1.0 billion Bonds are due on 7 October 2038 and callable with step-up interest on 7 October 2018. The RM1.0 billion Bonds bear an interest rate of 6.7% per annum payable semi-annually in arrears for the first ten years, after which the interest rate will be reset at a rate per annum equal to the 3-month KLIBOR plus 2.98%.

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33 SUBORDINATED OBLIGATIONS (CONTINUED)

(b) Subordinated Bonds 2008/2038 RM1.0 billion (Continued)

CIMB Bank may at its option, subject to the prior approval of BNM, redeem the RM1.0 billion Bonds in whole but not in part, on 7 October 2018 or any interest payment date thereafter, at their principal amount plus accrued interest.

The RM1.0 billion Bonds qualify as Tier I Capital for the purpose of the RWCR computation (subject to the gradual phase-out treatment under Basel III).

CIMB Bank redeemed its RM1.0 billion subordinated bonds on its first optional redemption date of 5 October 2018.

(c) Subordinated Sukuk RM850 million

The RM850 million unsecured subordinated Sukuk ("the Sukuk") is part of the Tier II Junior Sukuk programme by the Company's indirect subsidiary, CIMB Islamic Bank Berhad ("CIMB Islamic"), which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

The first tranche of the Sukuk of RM300 million was issued at par on 25 September 2009 and is due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum payable semi-annually in arrears. Included in the RM300 million subordinated Sukuk was RM131.30 million (2017: RM138.55 million) subordinated Sukuk which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

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

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

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

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

The Sukuk qualifies as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic (subject to the gradual phase-out treatment under Basel III).

(d) Subordinated Debts RM2 billion

CIMB Bank has on 23 December 2010 completed the issuance of RM2.0 billion unsecured Subordinated Debt.

The RM2.0 billion Subordinated Debt issuance was issued under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.0 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter ("10 years tranche"), and another RM1.0 billion tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter ("15 years tranche"). Redemption of the Subordinated Debt on the call dates shall be subject to Bank Negara Malaysia's approval.

The coupon rate for the Subordinated Debt is 4.3% and 4.8% for the 10 years tranche and the 15 years tranche respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for CIMB Bank's working capital purposes.

The RM2.0 billion subordinated debts qualify as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

On 23 December 2015, CIMB Bank redeemed in full the RM1.0 billion 10 years tranche Subordinated Debt on its first optional redemption date of 23 December 2015.

33 SUBORDINATED OBLIGATIONS (CONTINUED)

(e) Subordinated Notes 2009/2059 RM1.38 billion

The RM1.38 billion unsecured subordinated fixed rate notes ("the RM1.38 billion Notes") is part of the Subordinated Notes Programme which was approved by the Securities Commission on 12 June 2009. Under the programme, the Company is allowed to issue subordinated fixed rate notes of up to RM3.0 billion in nominal value.

The RM1.38 billion Notes under the first issuance were issued at par on 30 June 2009 and are due on 30 June 2059, with optional redemption on 30 June 2019 or any periodic payment date thereafter. It bears an interest rate of 7.30% per annum payable semi-annually in arrears for the first ten years, after which the interest rate will be reset at a rate per annum equal to the 6 months KLIBOR + 1% plus original credit spread. The original credit spread is calculated as 7.3% less the 10 year swap rate as per the 11 am BNM fixing rate on 23 June 2009.

(f) Subordinated Notes 2010/2060 RM150 million and RM600 million

The RM750 million unsecured Cumulative Subordinated Fixed Rate Notes ("the RM750 million Notes") issued by the Company on 5 April 2010, comprising a callable 5 years tranche and 10 years tranche, amounting to RM150 million and RM600 million respectively, was part of the Subordinated Notes Programme which was approved by the Securities Commission on 12 June 2009. Under the programme, the Company is allowed to issue subordinated fixed rate notes of up to RM3.0 billion in nominal value.

Included in the RM600 million subordinated notes was RM76,996,000 (2017: RM85,922,000) subordinated notes which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

Both tranches have a maturity of 50 years, with call option for the Issuer to redeem at year 5 and on each subsequent coupon payment date, and year 10 and on each subsequent coupon payment date respectively.

The 5 years Tranche pays a semi annual coupon rate of 5.3% per annum whilst the 10 years Tranche pays a coupon of 6.35% per annum. The coupon will be stepped up by 2.0% in the event the Company does not redeem the RM750 million Notes on the respective first call date.

On 3 April 2015, the Company has fully redeemed the RM150 million subordinated notes.

(g) Subordinated Debt RM1.5 billion

CIMB Bank has on 8 August 2011 completed the issuance of RM1.5 billion unsecured Subordinated Debt.

The RM1.5 billion Subordinated Debt issuance was the second issuance under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.35 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter ("Tranche 1"), and another RM150 million tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter ("Tranche 2"). Redemption of the Subordinated Debt on the call dates shall be subject to Bank Negara Malaysia's approval.

The coupon rate for the Subordinated Debt is 4.15% and 4.70% for Tranche 1 and Tranche 2 respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for CIMB Bank's working capital purposes.

CIMB Bank redeemed its RM1.35 billion (Tranche 1) Basel II-compliant Tier II Subordinated Debt on its first optional redemption date of 8 August 2016.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM150 million subordinated debts using interest rate swaps.

Included in the Subordinated Debt was RM55,805,000 (2017: RM58,955,000) subordinated debt which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

The Subordinated Debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

33 SUBORDINATED OBLIGATIONS (CONTINUED)

(h) Subordinated Debts 2013/2023 RM1.05 billion

On 1 August 2013 CIMB Bank has successfully set up a Basel III Compliant Tier II Subordinated Debt Issuance Programme of up to RM10.0 billion in nominal value ("Basel III Subordinated Debt Programme"). The Basel III Subordinated Debt Programme was approved by Securities Commission on 10 June 2013.

CIMB Bank has on 13 September 2013 completed the inaugural issuance of a RM750 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM750 million tranche at 4.80% per annum with a maturity of 10 years non-callable at the end of year 5.

CIMB Bank has on 16 October 2013 completed the second issuance of a RM300 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM300 million at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to Bank Negara Malaysia ("BNM")'s approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to CIMB Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by CIMB Bank.

The RM1.05 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

CIMB Bank redeemed in full the RM750 mil and RM300 million 10 years tranche Subordinated Debt on its first optional redemption date of 13 September 2018 and 16 October 2018 respectively.

(i) Subordinated Debts 2014/2024 RM400 million

On 7 July 2014, CIMB Thai Bank issued RM400 million 10 years non callable 5 years Basel III compliant Tier II subordinated notes ("RM400 million Notes") to their overseas investors. The RM400 million Notes carry fixed interest rate of 5.60% per annum payable every six months on 7 July and 7 January.

The RM400 million Notes will mature on 5 July 2024. CIMB Thai Bank may exercise its right to early redeem the subordinated notes after 5 years subject to approval by the Bank of Thailand.

CIMB Thai Bank has an approval from Bank of Thailand to classify the RM400 million Notes as Tier II capital according to the correspondence For Kor Kor. (02) 453/2557.

(j) Subordinated Debts 2015/2025 RM2 billion

On 23 December 2015, the Company issued RM2.0 billion 10 years non-callable 5 years Tier II subordinated debt ("RM2.0 billion Subordinated Debt") bearing a fixed rate coupon of 5.15% p.a.. The said subordinated debt was issued out of a newly established RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM2.0 billion Tier II subordinated debt issued by CIMB Bank on the same day, based on similar terms.

The RM2.0 billion Subordinated Debt qualifies as Tier II capital under BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Group has undertaken fair value hedge on the interest rate risk of the RM2.0 billion subordinated debts using interest rate swaps.

(k) Additional Tier I Securities RM1.0 billion

On 25 May 2016, the Company issued a nominal value RM1.0 billion perpetual subordinated capital securities ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.80% p.a. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank Berhad.

The Group has undertaken fair value hedge on the interest rate risk of the RM1.0 billion Additional Tier I Securities using interest rate swaps.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

33 SUBORDINATED OBLIGATIONS (CONTINUED)

(l) Subordinated Notes 2016/2026 RM570 million

On 11 July 2016, CIMB Thai Bank issued RM570 million 10 years non-callable 5 years Basel III compliant Tier II subordinated notes ("RM570 million Notes") to their overseas investors. The RM570 million Notes carry fixed interest rate of 5.35% per annum payable every six months.

The RM570 million Notes will mature on 10 July 2026. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after the issue date, on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

CIMB Thai Bank has an approval from Bank of Thailand to classify the RM570 million Notes (equivalent to THB 4,710,435,721) as Tier II capital according to the correspondence For Kor Kor. (02) 414/2559.

(m) Subordinated debts 2016/2026 RM1.35 billion

On 8 August 2016, CIMB Bank completed the fourth issuance of a RM1.35 billion Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM1.35 billion at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

The RM1.35 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

Redemption of the Subordinated Debts on the call dates shall be subject to BNM's approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to CIMB Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by CIMB Bank.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM1.35 billion subordinated debts using interest rate swaps.

(n) Additional Tier I Securities RM400 million

On 16 December 2016, the Company issued a nominal value RM400 million perpetual subordinated capital securities ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.50% p.a. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank.

The Group has undertaken fair value hedge on the interest rate risk of the RM400 million Additional Tier I Securities using interest rate swaps.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

(o) Subordinated debts 2017/2027 RM1.5 billion

On 30 November 2017, the Company issued RM1.5 billion 10-year non-callable 5 years Tier II subordinated debt ("RM1.5 billion Subordinated Debt") bearing a fixed rate coupon of 4.90% p.a.. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM1.5 billion Tier II subordinated debt issued by CIMB Bank on the same day, based on similar terms.

The RM1.5 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Group has undertaken fair value hedge on the interest rate risk of the RM1.5 billion subordinated debts using interest rate swaps.

(p) Subordinated debts 2017/2027 RM300 million

On 28 December 2017, CIMB Islamic Bank had issued RM300 million Tier II Junior Sukuk ("Sukuk") at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic.

The RM300 million subordinated Sukuk was held by a subsidiary of the Company, hence the amount was eliminated at consolidated level.

33 SUBORDINATED OBLIGATIONS (CONTINUED)

(q) Subordinated debts 2018/2028 RM700 million

On 29 March 2018, CIMB Group Holdings Berhad issued MYR700 million 10 years non-callable 5 years Tier 2 subordinated debt bearing a fixed rate coupon of 4.95% per annum. The said subordinated debt was issued out of the RM10 billion Tier 2 subordinated debt programme. The proceeds from the issuance were used to subscribe to a RM700 million Tier 2 subordinated notes issued by CIMB Bank Berhad on the same day, based on similar terms.

(r) Subordinated debts 2018/2028 RM390 million

On 29 March 2018, CIMB Thai Bank issued RM390 million 10 years non-callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM390 milion Notes carry fixed interest rate of 5.20% per annum payable every six months. The RM390 million Notes will mature on 29 March 2028. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand. CIMB Thai Bank has an approval from Bank of Thailand to classify the RM390 million Notes (equivalent to THB3,157,479,000) as Tier II capital according to the correspondence For Kor Kor. 221/2561.

(s) Subordinated debts 2018/2029 RM1.2 billion

On 13 September 2018, CIMB Group Holdings Berhad issued RM1.2 billion 11 years, on a non-callable 6 years basis, Tier 2 subordinated debt bearing a fixed rate coupon of 4.88% per annum. The said subordinated debt was issued out of the RM10 billion Tier 2 subordinated debt programme. The proceeds from the issuance were used to subscribe to a RM1.2 Billion Tier 2 subordinated notes issued by CIMB Bank Berhad on the same day, based on similar terms.

(t) Additional Tier 1 Securities RM1.0 billion

On 23 October 2018, the Company issued RM1.0 billion perpetual subordinated capital securities ("Additional Tier 1 Securities"). The securities, which qualify as Additional Tier 1 Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.40% per annum. The Additional Tier 1 Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank Berhad.

(u) Subordinated debts 2018/2023 IDR75 billion

On 15 November 2018, CIMB Niaga issued Series A Subordinated Bond of IDR75 billion with fixed interest rate of 9.85% per annum and maturity date of 15 November 2023.

(v) Subordinated debts 2018/2025 IDR75 billion

On 15 November 2018, CIMB Niaga issued Series B Subordinated Bond of IDR75 billion with fixed interest rate of 10.00% per annum and maturity date of 15 November 2025.

34 SHARE CAPITAL

		The Group and the Company	
	Note	**2018 RM'000**	**2017 RM'000**
Issued and fully paid shares:			
At 1 January	(a)	**22,183,226**	8,868,384
Transition to no-par value regime on 31 January 2017		**–**	11,476,201
Issued during the financial year:			
– Dividend reinvestment scheme issued on:			
– 2 May 2018	(b)(i)	**897,612**	–
– 25 October 2018	(b)(ii)	**1,050,912**	–
– 2 May 2017	(b)(iii)	**–**	870,863
– 13 November 2017	(b)(iv)	**–**	967,778
At 31 December		**24,131,750**	22,183,226

34 SHARE CAPITAL (CONTINUED)

(a) Transition to no-par value regime on 31 January 2017

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM11,476,201,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Sections 618 (3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(b) Increase in issued and paid-up capital

During the financial year, the Company increased its issued and paid-up capital from 9,225,547,442 to 9,564,459,418 shares via:

(i) Issuance of 140,251,847 new ordinary shares arising from the Dividend Reinvestment Scheme relating to electable portion of the second interim dividend of 12.00 sen in respect of financial year ended 31 December 2017, as disclosed in Note 47(a);

(ii) Issuance of 198,660,129 new ordinary shares each arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 13.00 sen in respect of financial year ended 31 December 2018, as disclosed in Note 47(b).

In respect of financial year 31 December 2017, the Company increased its issued and paid-up capital from 8,868,384,176 to 9,225,547,442 shares via:

(iii) Issuance of 183,726,322 new ordinary shares arising from the Dividend Reinvestment Scheme relating to electable portion of the second interim dividend of 12.00 sen in respect of financial year ended 31 December 2016, as disclosed in Note 47(c);

(iv) Issuance of 173,436,944 new ordinary shares each arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 13.00 sen in respect of financial year ended 31 December 2017, as disclosed in Note 47(d).

(c) Dividend Reinvestment Scheme

On 18 January 2013, the Company announced the proposal to put in place a dividend reinvestment scheme that would allow the shareholders of the Company ("Shareholders") to have the option to elect to reinvest their cash dividends in new ordinary shares ("New CIMB Shares")("Dividend Reinvestment Scheme").

The Dividend Reinvestment Scheme has received the necessary approval from Bursa Securities on 5 February 2013, its shareholders via an Extraordinary General Meeting held on 25 February 2013 and from Bank Negara Malaysia on 25 March 2013.

The scheme would allow the Board, at its absolute discretion, to offer either the Dividend Reinvestment Scheme or full cash for the Group's dividends as and when it deems appropriate vis-à-vis the Group's capital strategy and plans.

The rationale of the Dividend Reinvestment Scheme are as follows:

(i) CIMB's capital management strategy

As part of the Company's capital management strategy, the Dividend Reinvestment Scheme would provide the Company additional flexibility in managing its capital position.

(ii) Enhancing shareholder value with reasonable dividend yield

The Dividend Reinvestment Scheme will provide an opportunity for shareholders to enjoy dividend yield while preserving capital for the Company.

Since the announcement of Basel III, many global banks have taken a cautious stance in capital management including that of reducing dividend payments. Whilst this stance will improve a banks' capital ratios, such actions may result in lower dividend yields and may eventually reduce investors' interest in the banking industry.

The Dividend Reinvestment Scheme provides an alternative for banks to balance the demand of its investors and its capital objective.

Notes to the Financial Statements
for the financial year ended 31 December 2018

34 SHARE CAPITAL (CONTINUED)

(c) Dividend Reinvestment Scheme (Continued)

(iii) Alternative mode of payment of Dividends

The implementation of the Dividend Reinvestment Scheme will provide an avenue for shareholders to elect to exercise the option to reinvest all or part of their dividends into New CIMB Shares in lieu of receiving cash dividend.

The shareholders shall have the following options in respect of an option to reinvest announced by the Board under the Dividend Reinvestment Scheme:

(i) to elect to participate by reinvesting the whole or part of the Electable Portion at the issue price for New CIMB Shares.

In the event that only part of the Electable Portion is reinvested, the shareholders shall receive cash for the remaining portion of the Electable Portion not reinvested; or

(ii) to elect not to participate in the option to reinvest and thereby receive the entire dividend entitlement wholly in cash.

35 PERPETUAL PREFERENCE SHARES

	The Group	
	2018 RM'000	**2017 RM'000**
Issued and fully paid		
Perpetual preference shares		
At 1 January/31 December	**200,000**	200,000

The main features of the perpetual preference shares ("PPS") are as follows:

(i) The PPS has no right to dividends.

(ii) In the event of liquidation, dissolution or winding-up of CIMB Bank, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of CIMB Bank.

(iii) The PPS rank *pari passu* in all aspects among themselves.

(iv) CIMB Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act, 2016 and as approved by Bank Negara Malaysia.

36 RESERVES

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share premium - ordinary shares	34(a)	–	–	–	–
Statutory reserves	(a)	130,284	131,155	–	–
Regulatory reserve	(b)	1,542,976	1,502,520	–	–
Capital reserve	(c)	137,104	137,104	55,982	55,982
Exchange fluctuation reserves	(d)	282,393	423,263	–	–
Fair value reserve					
– Debt intruments at fair value through other comprehensive income	(e)	(288,294)	–	71,135	–
– Equity instruments at fair value through other comprehensive income	(f)	(207,686)	–	–	–
Revaluation reserve					
– Financial investments available-for-sale	(g)	–	499,476	–	26,619
Retained earnings	(h)	26,864,962	24,683,941	767,854	656,679
Share-based payment reserve	(i)	73,993	60,002	–	–
Other reserves					
– Hedging reserve - net investment hedge	(j)	(1,212,126)	(1,190,339)	–	–
– Hedging reserve - cash flow hedge	(k)	6,097	(205)	–	–
– Hedging reserve - deferred hedging cost	(l)	47,373	–	–	–
– Own credit risk reserve	(m)	1,959	–	–	–
– EOP reserve - shares purchased pending release	(n)	(107,107)	(96,349)	–	–
– Defined benefits reserves	(o)	(28,777)	(87,709)	–	–
		27,243,151	26,062,859	894,971	739,280

(a) The statutory reserves of the Group are maintained by certain banking subsidiaries in Malaysia in compliance with the BNM guidelines and include a reserve maintained by a subsidiary in compliance with the Bursa Malaysia Securities Berhad Rules and Regulations. Effective 3 May 2017, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.

The statutory reserves of the foreign banking subsidiaries and foreign stockbroking subsidiaries of the Group are in compliance with rules and regulations of the respective authorities. These reserves are not distributable by way of cash dividends.

(b) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018 (prior to 2018: MFRS 139 beginning 1 January 2010).

On 2 February 2018, BNM issued the revised policy on Financial Reporting and Financial Reporting for Islamic Banking Institutions which requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(c) The capital reserve of the Group arose from the dilution of equity interest in subsidiaries resulted from the shares option scheme undertaken by the subsidiary in previous years.

(d) Exchange translation differences have arisen from translation of net assets of Labuan offshore subsidiaries, foreign branches and foreign subsidiaries. These translation differences are shown under exchange fluctuation reserves.

(e) For debt instruments at fair value through other comprehensive income ("FVOCI"), changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed off.

(f) The Group has elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(g) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.

(h) As at 31 December 2018, the Company has sufficient tax exempt account balances to pay tax exempt dividends of up to RM477,522,037 (2017: RM477,522,037) out of its retained earnings.

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for the financial year ended 31 December 2018

36 RESERVES (CONTINUED)

(i) The Share-based payment reserve arose from the Equity Ownership Plan ("EOP"), the Group's share-based compensation benefit.

(j) Hedging reserve arises from net investment hedge activities undertaken by the Group on overseas operations and foreign subsidiaries. The reserve is non-distributable and is reversed to the statement of income when the foreign operations and subsidiaries are partially or fully disposed.

(k) The Group have entered into cash flow hedges on senior bond issued and interbranch lending.

The reserve is non-distributable and is reversed to the statement of income when the hedged items affect the statement of income or termination of the cash flow hedge.

(l) The Group designates the spot component of foreign currency forward contracts and the intrinsic value of foreign currency option contracts as hedging instruments in cash flow hedge relationships. The Group defers changes in the forward element of foreign currency forward contracts and the time value element of foreign currency option contracts in the costs of hedging reserve. The deferred costs of hedging are included in the initial cost of the related inventory when it is recognised.

(m) Changes in fair value relating to the Group's own credit risk are recognised in other comprehensive income. These changes are also accumulated within own credit risk reserve within equity.

(n) EOP reserve reflects the Group's shares purchased for EOP under share-based compensation benefits, pending release to its employees.

(o) Defined benefit reserves relate to the cumulative actuarial gains and losses on defined benefit plans.

37 SHARES HELD UNDER TRUST AND TREASURY SHARES

(a) Shares held under trust

	The Group	
	2018 RM'000	**2017 RM'000**
At 1 January/31 December	**563**	563

As an integral part of the CIMB Berhad's ("CIMBB") restructuring exercise in 2005, the then existing CIMBB's ESOS and Employee Equity Scheme ("EES") ceased to have any value pursuant to the delisting from Bursa Malaysia Securities Berhad. Accordingly, consistent with the fair treatment to all Executive Employees and the spirit of continuity of the scheme in existence, the schemes were modified with terms and conditions remaining and subsequently called the Modified EESOS. For the EES, the remaining options were accelerated and exercised prior to the completion of the CIMBB's restructuring.

The CIMBB restructuring exercise and the schemes were approved by the shareholders of the Company during the Extraordinary General Meeting held on 8 September 2005. The modified schemes entailed the following:

(i) The setting up of a trust to subscribe for all the remaining CIMBB shares under the unexercisable tranches under the CIMBB ESOS ("ESOS Trust") prior to the implementation of the CIMBB restructuring. The subscription was facilitated through an accelerated vesting of the unexercisable options. The funding for the subscription for the CIMBB shares by the trustee for both Trusts was provided by the Company by way of a loan.

(ii) Under the CIMBB restructuring exercise, both trustees have opted for new shares of the Company at the ratio of approximately 1.146 of the Company's shares for one CIMBB share. The Executive Employees or the CEO are entitled to instruct the trustee as to the sale, subject to a minimum market price that is higher than a price to be determined by dividing the existing adjusted exercise price by the ratio of approximately 1.146, plus transaction costs and any income tax liability, if applicable, of such shares of the Company in the manner as previously provided under the CIMBB ESOS.

(iii) The number of the Company's shares subject to such instruction per annum will be in the same proportion as per the adjusted total outstanding number under the previous CIMBB ESOS multiplied by the ratio approximately 1.146.

(iv) If the Executive Employee or CEO opt to instruct the trustee to transfer or sell in the market, upon such instruction under the Modified EESOS and Modified CEO Option, a proportion of the proceeds received by the Trustee, plus any income tax, if applicable, will be retained by the Trustee and used to offset the Loan and the excess (net of transaction costs) will be payable to the Executive Employee or CEO.

As at 31 December 2018, there are 258,000 (2017: 258,000) units remain unexercised.

37 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

(b) Treasury shares, at cost

	The Group and the Company			
	2018		2017	
	Units '000	RM'000	Units '000	RM'000
At 1 January / 31 December	**5**	**43**	5	43

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 26 April 2018, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company did not buy back any of its issued share capital from the open market. As at 31 December 2018, there were 4,908 ordinary shares held as treasury shares (2017: 4,908). Treasury shares have no rights to vote, dividends and participation in other distribution.

38(a) INTEREST INCOME

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans, advances and financing:				
– Interest income other than recoveries	**14,884,455**	15,531,675	**–**	–
– Unwinding income^	**146,276**	157,743	**–**	–
Money at call and deposits with financial institutions	**818,140**	779,068	**28,225**	14,925
Reverse repurchase agreements	**192,111**	165,338	**–**	–
Debt instruments at fair value through other comprehensive income	**1,223,536**	–	**90,356**	–
Debt instruments at amortised cost	**1,236,114**	–	**220,994**	–
Equity instruments at fair value through other comprehensive income	**21,892**	–	**–**	–
Financial assets held for trading	**–**	484,550	**–**	–
Financial investments available-for-sale	**–**	1,139,255	**–**	80,000
Financial investments held-to-maturity	**–**	1,194,351	**–**	109,899
Others	**39,120**	58,673	**–**	–
	18,561,644	19,510,653	**339,575**	204,824
	9,689	(1,963)	**–**	–
Accretion of discounts less amortisation of premiums	**18,571,333**	19,508,690	**339,575**	204,824

^ *Unwinding income is interest income earned on credit impaired financial assets*

Notes to the Financial Statements
for the financial year ended 31 December 2018

38(b) INTEREST INCOME FOR FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2018 RM'000	**2017 RM'000**
Financial assets at fair value through profit or loss	**538,842**	–
Reverse repurchase agreements at fair value through profit or loss	**16,319**	–
	555,161	–
Accretion of discounts, net of amortisation of premiums	**112,297**	–
	667,458	–

39 INTEREST EXPENSE

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deposits and placements of banks and other financial institutions	**480,759**	359,625	**–**	–
Deposits from other customers	**6,578,221**	6,570,580	**–**	–
Repurchase agreements	**303,695**	118,126	**–**	–
Bonds, Sukuk and debentures	**557,833**	406,322	**–**	–
Subordinated obligations	**712,401**	717,206	**449,735**	328,284
Financial liabilities designated at fair value through profit or loss	**126,669**	124,282	**–**	–
Negotiable certificates of deposits	**104,406**	110,807	**–**	–
Other borrowings	**335,557**	348,832	**133,020**	142,187
Recourse obligation on loan and financing sold to Cagamas	**140,744**	119,156	**–**	–
Structured deposits	**246,989**	143,296	**–**	–
Others	**17,077**	31,361	**–**	–
	9,604,351	9,049,593	**582,755**	470,471

Notes to the Financial Statements
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40 NET NON-INTEREST INCOME

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net fee and commission income:				
Commissions	**1,245,567**	1,188,105	**–**	–
Fee on loans, advances and financing	**596,676**	542,324	**–**	–
Portfolio management fees	**–**	15	**–**	–
Service charges and fees	**702,573**	702,791	**–**	–
Corporate advisory and arrangement fees	**19,987**	55,650	**–**	–
Guarantee fees	**63,246**	65,919	**–**	–
Other fee income	**241,232**	245,616	**–**	–
Placement fees	**2,176**	18,094	**–**	–
Underwriting commission	**61,101**	92,050	**–**	–
Fee and commission income	**2,932,558**	2,910,564	**–**	–
Fee and commission expense	**(687,824)**	(701,845)	**–**	–
Net fee and commission income	**2,244,734**	2,208,719	**–**	–
Gross dividend income from:				
In Malaysia				
– Subsidiaries	**–**	–	**3,318,627**	2,036,853
– Financial assets at fair value through profit or loss	**53,281**	–	**–**	–
– Equity instruments at fair value through other comprehensive income	**3,160**	–	**–**	–
– Financial assets held for trading	**–**	50,365	**–**	–
– Financial investments available-for-sale	**–**	30,031	**–**	–
Outside Malaysia				
– Financial assets at fair value through profit or loss	**231**	–	**–**	–
– Debt instruments at fair value through other comprehensive income	**16**	–	**–**	–
– Equity instruments at fair value through other comprehensive income	**1,296**	–	**–**	–
– Financial assets held for trading	**–**	8,185	**–**	–
– Financial investments available-for-sale	**–**	1,757	**–**	–
	57,984	90,338	**3,318,627**	2,036,853
Net loss arising from financial assets at fair value through profit or loss				
– Realised	**(637,363)**	–	**–**	–
– Unrealised	**106,031**	–	**–**	–
	(531,332)	–	**–**	–
Net gain arising from financial assets held for trading:				
– Realised	**–**	242,107	**–**	–
– Unrealised	**–**	461,329	**–**	–
	–	703,436	**–**	–
Net gain/(loss) arising from derivative financial instruments:				
– Realised	**1,339,889**	579,429	**–**	–
– Unrealised	**544,997**	(1,018,552)	**–**	–
	1,884,886	(439,123)	**–**	–
Net loss arising from financial liabilities designated at fair value through profit or loss:				
– Realised	**71,255**	(26,167)	**–**	–
– Unrealised	**(162,587)**	(205,184)	**–**	–
	(91,332)	(231,351)	**–**	–

Notes to the Financial Statements
for the financial year ended 31 December 2018

40 NET NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net loss arising from hedging activities	**(14,269)**	(9,599)	**–**	–
Net gain from sale of investment in debt intruments at fair value through other comprehensive income	**38,448**	–	**–**	–
Net loss from redemption of debt instruments at amortised cost	**(811)**	–	**–**	–
Net gain from sale of financial investments available-for-sale	**–**	174,206	**–**	–
Net gain from redemption of financial investments held-to-maturity	**–**	1,878	**–**	–
Income from assets management and securities services	**188,308**	384,884	**–**	–
Brokerage income	**127,590**	406,507	**–**	–
Other non-interest income:				
Foreign exchange gain/(loss)	**75,159**	1,533,632	**(929)**	(206,019)
Gain on remeasurement of equity interests retained as joint ventures	**1,192,262**	–	**–**	–
Loss on disposal of interests in subsidiaries	**(103,542)**	(7,699)	**(528,670)**	–
Rental income	**27,773**	30,322	**315**	284
Gain on disposal of property, plant and equipment/assets held for sale	**20,785**	25,659	**–**	–
Gain on disposal of leased assets	**–**	212	**–**	–
Gain on disposal of associates and joint ventures	**2,693**	46,020	**–**	–
Other non-operating income	**88,298**	159,858	**410**	–
Loss on disposal of foreclosed properties	**(70,267)**	(42,313)	**–**	–
	1,233,161	1,745,691	**(528,874)**	(205,735)
	5,137,367	5,035,586	**2,789,753**	1,831,118

41 OVERHEADS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Personnel costs				
– Salaries, allowances and bonus	**3,917,197**	4,176,924	**–**	–
– Pension costs (defined contribution plan)	**231,613**	333,991	**–**	–
– Pension costs (defined benefit plans (Note 30(b))	**171,033**	75,435	**–**	–
– Overtime	**27,868**	31,377	**–**	–
– Staff incentives and other staff payments	**234,455**	248,702	**113**	131
– Medical expenses	**110,663**	111,299	**–**	–
– Others	**233,918**	276,786	**–**	–
Establishment costs				
– Depreciation of property, plant and equipment	**296,558**	352,028	**104**	374
– Amortisation of intangible assets	**356,587**	345,470	**–**	–
– Depreciation of investment properties	**–**	–	**18**	18
– Amortisation of prepaid lease payments	**10,230**	11,187	**–**	–
– Rental	**493,691**	511,008	**2**	–
– Repair and maintenance	**485,746**	518,916	**521**	24
– Outsourced services	**59,302**	83,047	**–**	–
– Security expenses	**111,622**	118,442	**–**	–
– Others	**132,764**	190,443	**94**	76
Marketing expenses				
– Sales commission	**7,220**	6,459	**–**	–
– Advertisement	**292,485**	222,536	**–**	–
– Others	**51,597**	72,692	**12**	–
Administration and general expenses				
– Legal and professional fees	**131,205**	178,037	**17,267**	4,892
– Stationery	**55,529**	60,218	**–**	–
– Communication	**99,086**	110,602	**38**	26
– Incidental expenses on banking operations	**47,918**	37,574	**–**	–
– Insurance	**295,185**	290,562	**3,149**	–
– Others	**802,349**	769,840	**13,887**	7,978
	8,655,821	9,133,575	**35,205**	13,519

Notes to the Financial Statements
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41 OVERHEADS (CONTINUED)

The above expenditure includes the following:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Directors' remuneration (Note 44)	**15,843**	16,876	**4,182**	3,532
Rental of premises	**300,601**	308,057	**–**	–
Hire of equipment	**55,159**	19,445	**–**	–
Lease rental	**13,877**	32,501	**–**	–
Auditors' remuneration				
Audit				
– Statutory audit (PricewaterhouseCoopers PLT*)	**5,498**	4,907	**608**	530
– Statutory audit (other member firms of PricewaterhouseCoopers International Limited*)	**5,113**	6,540	**–**	–
– Limited review (PricewaterhouseCoopers PLT*)	**1,038**	897	**25**	22
– Limited review (other member firms of PricewaterhouseCoopers International Limited*)	**1,784**	993	**–**	–
– Other audit related (PricewaterhouseCoopers PLT*)	**3,930**	591	**145**	26
– Other audit related (other member firms of PricewaterhouseCoopers International Limited*)	**2,571**	299	**–**	–
Non-audit				
– Non-audit services (PricewaterhouseCoopers PLT*)	**442**	899	**55**	354
– Non-audit services (other member firms of PricewaterhouseCoopers International Limited*)	**2,008**	3,166	**–**	–
Property, plant and equipment written off	**2,946**	6,612	**–**	–

* *PricewaterhouseCoopers PLT and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.*

42 EXPECTED CREDIT LOSSES/ALLOWANCE MADE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group	
	2018 RM'000	**2017 RM'000**
Expected credit losses/allowance for impairment losses on loans, advances and financing at amortised cost:		
– Expected credit losses on loans, advances and financing	**2,022,688**	–
– Individual impairment allowance	**–**	1,464,245
– Portfolio impairment allowance	**–**	1,264,288
Credit impaired/impaired loans, advances and financing:		
– Recovered	**(608,258)**	(516,611)
– Written off	**18,231**	18,985
	1,432,661	2,230,907

43 OTHER EXPECTED CREDIT LOSSES/ALLOWANCES FOR OTHER IMPAIRMENT LOSSES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Expected credit losses/allowances (written back)/made on:				
– Debt instrument at fair value through other comprehensive income	**(2,600)**	–	**10,468**	–
– Debt instrument at amortised cost	**87,793**	–	**21,009**	–
– Money at call and deposits and placements with banks and other financial institutions	**981**	–	**–**	–
– Other assets	**48,326**	76,103	**–**	–
– Financial investments available-for-sale	**–**	99,091	**–**	–
– Financial investments held-to-maturity	**–**	(27)	**–**	–
– Subsidiary	**–**	–	**–**	22,265
	134,500	175,167	**31,477**	22,265

44 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Executive Director

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz

Non-Executive Directors

Datuk Mohd Nasir Ahmad (Appointed as Chairman on 20 October 2018)
Teoh Su Yin
Robert Neil Coombe
Dato' Lee Kok Kwan
Dato' Mohamed Ross bin Mohd Din
Ahmad Zulqarnain bin Che On
Afzal bin Abdul Rahim (Appointed on 31 January 2019)
Dato' Sri Mohamed Nazir bin Abdul Razak (Resigned on 19 October 2018)
Glenn Muhammad Surya Yusuf (Retired on 23 January 2019)
Watanan Petersik (Retired on 24 January 2019)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive Director				
– Salary and other remuneration	**8,689^**	9,861^	**–**	–
– Benefits-in-kind	**7**	24	**–**	–
	8,696	9,885	**–**	–
Non-Executive Directors				
– Fees	**3,477**	3,901	**1,496**	1,403
– Other remuneration	**3,604^**	3,090^	**2,651**	2,129
– Benefits-in-kind	**66**	–	**35**	–
	7,147	6,991	**4,182**	3,532
	15,843	16,876	**4,182**	3,532

^ *These salary and other remuneration include cash bonus accruals in relation to the directorship of certain Directors in certain subsidiaries. The Directors' cash bonus for the financial year 2018 will be paid in tranches, spread over financial year 2019, while for financial year 2017, it was similarly paid in tranches, spread over financial year 2018. A similar condition is also imposed on the cash bonus for certain key personnel.*

Notes to the Financial Statements
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44 DIRECTORS' REMUNERATION (CONTINUED)

2018	The Group Fees RM'000	The Group Salary and/ or other remuneration RM'000	The Group Benefits-in-kind RM'000	The Group Total RM'000	The Company Fees RM'000	The Company Salary and/ or other remuneration RM'000	The Company Benefits-in-kind RM'000	The Company Total RM'000
Executive Director								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	–	8,689	7	8,696	–	–	–	–
	–	8,689	7	8,696	–	–	–	–
Non-Executive Directors								
Datuk Mohd Nasir Ahmad	320	837	35	1,192	170	467	35	672
Teoh Su Yin	170	295	–	465	170	295	–	465
Robert Neil Coombe	170	105	–	275	170	105	–	275
Dato' Lee Kok Kwan	459	286	–	745	170	130	–	300
Dato' Mohamed Ross bin Mohd Din	311	615	31	957	170	310	–	480
Ahmad Zulqarnain bin Che On	170	180	–	350	170	180	–	350
Dato' Sri Mohamed Nazir bin Abdul Razak	722	731	–	1,453	136	609	–	745
Glenn Muhammad Surya Yusuf	890	380	–	1,270	170	380	–	550
Watanan Petersik	265	175	–	440	170	175	–	345
	3,477	3,604	66	7,147	1,496	2,651	35	4,182
	3,477	12,293	73	15,843	1,496	2,651	35	4,182

2017	The Group Fees RM'000	The Group Salary and/ or other remuneration RM'000	The Group Benefits-in-kind RM'000	The Group Total RM'000	The Company Fees RM'000	The Company Salary and/ or other remuneration RM'000	The Company Benefits-in-kind RM'000	The Company Total RM'000
Executive Director								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	–	9,861	24	9,885	–	–	–	–
	–	9,861	24	9,885	–	–	–	–
Non-Executive Directors								
Dato' Sri Mohamed Nazir bin Abdul Razak	843	917	–	1,760	155	752	–	907
Dato' Mohamed Ross bin Mohd Din	269	432	–	701	155	202	–	357
Watanan Petersik	274	109	–	383	151	109	–	260
Glenn Muhammad Surya Yusuf	916	276	–	1,192	155	276	–	431
Datuk Mohd Nasir Ahmad	277	572	–	849	151	252	–	403
Dato' Lee Kok Kwan	427	287	–	714	151	119	–	270
Datuk Joseph Dominic Silva	46	28	–	74	44	28	–	72
Robert Neil Coombe	149	74	–	223	147	74	–	221
Teoh Su Yin	157	234	–	391	155	234	–	389
Hiroaki Demizu	112	53	–	165	112	53	–	165
Ahmad Zulqarnain bin Che On	431	108	–	539	27	30	–	57
	3,901	3,090	–	6,991	1,403	2,129	–	3,532
	3,901	12,951	24	16,876	1,403	2,129	–	3,532

The Directors and officers of the Group and the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year for the Group and the Company amounted to RM976,019 (2017: RM988,137) and RM Nil (2017: RM Nil).

45 TAXATION AND ZAKAT

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Taxation based on the profit for the financial year:				
– Malaysian income tax	**1,321,121**	1,058,363	**6,953**	3,650
– Foreign tax	**487,841**	533,465	**–**	–
	1,808,962	1,591,828	**6,953**	3,650
Deferred taxation (Note 14)	**(271,053)**	(65,625)	**13**	8
(Over)/Under provision in prior years	**(3,695)**	(25,434)	**2**	(1,326)
	1,534,214	1,500,769	**6,968**	2,332
Zakat	**3,100**	1,250	**–**	–
	1,537,314	1,502,019	**6,968**	2,332

Reconciliation between tax charge and the Malaysian tax rate:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation and zakat	**7,200,667**	6,109,985	**2,479,891**	1,529,687
Less: Share of results of joint ventures	**(30,678)**	(12,895)	**–**	–
Share of results of associates	**(3,576)**	121	**–**	–
	7,166,413	6,097,211	**2,479,891**	1,529,687
Tax calculated at a rate of 24% (2017:24%)	**1,719,939**	1,463,331	**595,174**	367,125
Income not subject to tax	**(331,982)**	(110,291)	**(669,471)**	(440,850)
Effects of different tax rates in other countries	**(131,327)**	(127,483)	**–**	–
Expenses not deductible for tax purposes	**281,997**	301,917	**81,263**	77,383
Utilisation of previously unrecognised tax losses	**(718)**	(1,271)	**–**	–
(Over)/Under provision in prior years	**(3,695)**	(25,434)	**2**	(1,326)
Tax charge of current financial year	**1,534,214**	1,500,769	**6,968**	2,332

46 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2018 RM'000	2017 RM'000
Profit for the financial year (RM'000)	**5,583,510**	4,475,175
Weighted average number of ordinary shares in issue ('000)	**9,356,695**	9,016,943
Basic earnings per share (expressed in sen per share)	**59.67**	49.63

(b) Diluted earnings per share

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

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47 DIVIDENDS PER ORDINARY SHARE

	The Group and The Company			
	2018		2017	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend in respect of previous year	**12.00**	**1,107,065**[a]	12.00	1,064,206[c]
Interim dividend	**13.00**	**1,217,553**[b]	13.00	1,176,774[d]
	25.00	**2,324,618**	25.00	2,240,980

(a) The dividend consists of electable portion of 12.00 sen per ordinary shares, of which 9.73 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM897,611,821 and a total of RM209,453,283 cash dividend was paid on 30 April 2018.

(b) The dividend consists of electable portion of 13.00 sen per ordinary shares, of which 11.22 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM1,050,912,082 and a total of RM166,641,187 cash dividend was paid on 24 October 2018.

(c) The dividend consists of electable portion of 12.00 sen per ordinary shares, of which 9.82 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM870,862,766 and a total of RM193,342,746 cash dividend was paid on 28 April 2017.

(d) The dividend consists of electable portion of 13.00 sen per ordinary shares, of which 10.69 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM967,778,148 and a total of RM208,995,579 cash dividend was paid on 10 November 2017.

Dividends recognised as distributions to owners:

The single-tier second interim dividend for the previous financial year was approved by the Board of Directors on 29 January 2018 and paid in the current financial year. This is shown as a deduction from the retained earnings in the statements of changes in equity in the current financial year.

The Directors have declared a single-tier first interim dividend of 13.00 sen per ordinary share on 9,365,794,381 ordinary shares amounting to RM1,218 million for the financial year ended 31 December 2018 under DRS. The interim dividend of 13.00 sen per ordinary share was approved by the Board of Directors on 27 July 2018 and paid on 24 October 2018.

The Directors have proposed a single-tier second interim dividend of 12.00 sen per ordinary share, on 9,564,454,510 ordinary shares amounting to RM1,148 million in respect of the financial year ended 31 December 2018, to be paid in 2019. The single-tier second interim dividend was approved by the Board of Directors on 31 January 2019. The proposed dividend consists of an electable portion of 12.00 sen which can be elected to be reinvested in new ordinary shares in accordance with the DRS.

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2019.

The Directors do not recommend the payment of any final dividend for the financial year ended 2018.

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) The related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
Subsidiaries of the Company as disclosed in Note 16	Subsidiaries
Associates of the Company as disclosed in Note 17	Associates
Joint ventures as disclosed in Note 18	Joint ventures
Key management personnel	See below

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

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at normal commercial rates.

	Subsidiaries		Associates and joint ventures		Key management personnel	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Related party transactions						
The Group						
Income earned						
Interest on deposits and placements with financial institutions	–	–	2,626	–	–	–
Interest on loans, advances and financing	–	–	3,546	–	405	222
Fee income	–	–	1,749	–	–	–
Brokerage income	–	–	3,036	–	129	232
Others	–	–	45,165	45,006	–	–
Expenditure incurred						
Interest on deposits from customers and securities sold under repurchase agreements	–	–	3,211	10,231	1,717	373
Brokerage expenses	–	–	8,053	–	–	–
Others	–	–	2,746	–	–	–
The Company						
Income earned						
Interest on fixed deposits and money market	28,225	14,925	–	–	–	–
Dividend income	3,318,627	2,036,853	–	–	–	–
Rental income	315	284	–	–	–	–
Interest income on debt instruments at amortised cost	231,350	–	–	–	–	–
Interest income on debt instruments at fair value through other comprehensive income	80,000	–	–	–	–	–
Interest income from held-to-maturity	–	109,898	–	–	–	–
Interest income from available-for-sale	–	80,000	–	–	–	–
Expenditure incurred						
Interest on term loan	–	17,846	–	–	–	–
Interest on revolving credit	2,542	7,752	–	–	–	–
Interest on subordinated obligations	6,730	6,021	–	–	–	–
Professional fees	936	877	–	–	–	–
Group services – back office	1,101	357	–	–	–	–
Others	228	–	–	–	–	–

Notes to the Financial Statements
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48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions (Continued)

As at 31 December 2018, the breakdown of expenditure by geographical is as follows:

	2018					
	The Group			The Company		
	Interest expense RM'000	Brokerage expense RM'000	Others RM'000	Interest expense RM'000	Others RM'000	Group services – back office RM'000
Malaysia	3,014	–	–	9,272	1,164	1,101
Thailand	–	132	–	–	–	–
Singapore	197	7,577	1,826	–	–	–
Others	–	344	920	–	–	–
	3,211	8,053	2,746	9,272	1,164	1,101

(c) Related party balances

	Subsidiaries		Associates and joint ventures		Key management personnel	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Related party balances						
The Group						
Amount due from						
Amounts due from brokers	–	–	43,619	–	–	–
Loans, advances and financing	–	–	221,039	–	55,865	25,168
Others	–	–	1,011,552	1,075,250	–	–
Amount due to						
Deposits from customers and securities sold under repurchase agreements	–	–	344,543	–	57,180	104,376
Amounts due to brokers	–	–	59,733	–	–	–
Others	–	–	502	–	–	–
The Company						
Amount due from						
Demand deposits, savings and fixed deposits	197,547	182,809	–	–	–	–
Subordinated debts – Debt instruments at fair value through other comprehensive income	2,482,186	–	–	–	–	–
Subordinated debts – Debt instruments at amortised cost	5,445,494	–	–	–	–	–
Subordinated debts – HTM	–	3,518,263	–	–	–	–
Subordinated debts – AFS	–	1,433,024	–	–	–	–
Amount due to						
Revolving credit	–	200,106	–	–	–	–
Subordinated obligations	83,283	87,534	–	–	–	–
Others	1,819	–	–	–	–	–

Other inter-company balances are unsecured, non-interest bearing and repayable on demand.

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Key management personnel

Key management compensation

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Salaries and other employee benefits#	**120,889**	120,476	**12,879**	13,421
Shares of the Company (units)	**3,675,568**	4,125,374	**425,429**	442,902

includes compensation paid by other related companies

Included in the above table is the Executive Directors' compensation which is disclosed in Note 44. The share options and shares granted are on the same terms and conditions as those offered to other employees of the Group and the Company as disclosed in Note 49 to the Financial Statements.

Loans made to other key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group. No ECL/allowance has been required in 2018 and 2017 for the loans, advances and financing made to the key management personnel.

(e) Credit transactions and exposures with connected parties

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

	The Group	
	2018 RM'000	**2017 RM'000**
Outstanding credit exposures with connected parties	**11,185,199**	10,315,907
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**2.5%**	2.5%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	**0.0%**	0.0%

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the Company, owns 26.8% of the issued share capital of the Company (2017: 27.3%). KNB is an entity controlled by the Malaysian Government. The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Company.

The Group and the Company have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

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

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

49 EMPLOYEE BENEFITS

Equity Ownership Plan ("EOP")

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

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

The total share-based payment expenses of the Group recognised in statement of income during the financial year amounted to RM68,620,000 (2017: RM56,617,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM7.07 per ordinary share (2017: RM5.38), based on observable market price.

Movements in the number of the Company's ordinary shares awarded are as follows:

	2018 Total Shares (units '000)	2017 Total Shares (units '000)
At 1 January	**21,611**	18,717
Awarded	**10,009**	13,281
Released	**(14,059)**	(10,387)
At 31 December	**17,561**	21,611

Employee Stock Option Management Program established using the shares of subsidiary of the Company, PT Bank CIMB Niaga ("MESOP")

The MESOP is a one-time program to reward performance and loyalty of management and selected employees. The amount implemented is 208,216,392 sheets which was approved at the Extraordinary General Meeting of Shareholders on 24 August 2017. This program was launched on 26 February 2018.

The amount of shares allocated to each employees is determined by considering the compensation received, current positions in the company, and performance of the past 2 years. The total amount of shares allocated to the MESOP program is 208.2 million shares, in which 12 millions of shares will be allocated for the share grants and 196.2 millions of shares for the share options. The first 40% of the share options are vested on 26 February 2018 (with condition of lock-up period up to 25 October 2018), another 30% of options are vested on 25 April 2019, and the last 30% of options are vested on 25 April 2020. Every share options corridor has different strike prices.

There are no dividends paid to share option holders before the option is exercised. All of the share options granted will expire on 25 October 2020.

The total share-based payment expenses of the Group recognised in statement of income during the financial year amounted to RM8,350,000.

50 CAPITAL COMMITMENTS

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

	The Group	
	2018 RM'000	2017 RM'000
Capital expenditure:		
Authorised and contracted for	**272,865**	158,169
Authorised but not contracted for	**1,530,199**	1,157,884
	1,803,064	1,316,053

50 CAPITAL COMMITMENTS (CONTINUED)

Analysed as follows:

	The Group	
	2018 RM'000	**2017 RM'000**
Property, plant and equipment	**970,087**	1,004,198
Subscription for investments	**12,787**	12,787
Computer software	**820,190**	291,212
Others	**–**	7,856
	1,803,064	1,316,053

51 LEASE COMMITMENTS

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

	The Group	
	2018 RM'000	**2017 RM'000**
Within one year	**215,756**	229,986
One year to less than five years	**320,016**	335,865
Five years and more	**10,471**	72,490

52 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Company enter into various commitments and incur certain contingent liabilities with legal recourse to their customers.

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

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively. Refer to Note 11.

The notional or principal amount of the credit-related commitments and contingencies constitute the following:

	2018 Principal RM'000	**2017 Principal RM'000**
The Group		
Credit-related		
Direct credit substitutes	**6,637,881**	7,515,388
Certain transaction-related contingent items	**7,985,779**	7,579,091
Short-term self-liquidating trade-related contingencies	**3,432,622**	3,767,991
Obligations under underwriting agreement	**250,000**	–
Irrevocable commitments to extend credit:		
– Maturity not exceeding one year	**62,748,922**	57,735,266
– Maturity exceeding one year	**32,058,573**	29,785,979
Miscellaneous commitments and contingencies	**966,685**	1,143,380
Total credit-related commitments and contingencies	**114,080,462**	107,527,095
Total treasury-related commitments and contingencies (Note 11)	**1,015,058,192**	768,352,221
	1,129,138,654	875,879,316

CIMB Bank has given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its subsidiary, CIMB Bank (L) Limited, arising from its offshore banking business in the Federal Territory of Labuan.

Notes to the Financial Statements
for the financial year ended 31 December 2018

52 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Included under irrevocable commitments to extend credit are the amount related to the Restricted Agency Investment Account (refer Note 12 for more details) as follows:

	The Group	
	2018 Principal RM'000	**2017 Principal RM'000**
Irrevocable commitments to extend credit:		
– maturity not exceeding one year	**700,000**	–

The Company has on 24 February 2017 filed a notice of appeal (Form Q) according to Section 99 (1) of the Income Tax Act, 1967 against the Notices of Assessment (Notices) for the years of assessment 2009 to 2012 dated 8 February 2017 from Inland Revenue Board ("IRB"), and obtained a stand over of taxes from IRB on 13 April 2017. The Company has subsequently made full payment of taxes as requested by IRB vide their letter dated 18 December 2018 revoking their earlier approval for the stand over of taxes. However, no provision has been made in the financial statements for any potential contingent liabilities up to the reporting date, based on independent legal advice. The potential liability of the Company if there was an adverse decision related to the appeal is estimated to be approximately RM264 million.

53 SEGMENT REPORTING

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

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

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

(a) Business segment reporting

Definition of segments

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

(i) Consumer Banking

Consumer Banking provides everyday banking solutions to individual customers covering both conventional and Islamic financial products and services such as residential property loans, non-residential property loans, secured personal loans, motor vehicle financing, credit cards, unsecured personal financing, 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.

(ii) 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 Bank's online business banking platform, which allows customers to conduct their commercial banking transactions over the internet.

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

(iii) 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 loans, to derivatives, structured products and debt capital market.
- Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.
- Transaction Banking comprises Trade Finance and Cash Management which provide various trade facilities and cash management solutions.
- Equities provides broking services to corporate, institutional and retail clients.
- Private Banking offers a full suite of wealth management solutions to high net worth individuals with access to a complete range of private banking services, extending from investment to securities financing to trust services.

(iv) Group Asset Management and Investments

Group Asset Management and Investments consists of the Group's public and private asset management portfolios.

Public Markets consists of CIMB Principal Assets Management Group. Private Markets consists of other private equity investments and strategic investments.

(v) Group Funding and Others

Group Funding and Others consists of the Group's assets and liabilities management, capital's investment in fixed income investments and investment in the Group's proprietary capital and funding.

Notes to the Financial Statements
for the financial year ended 31 December 2018

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	31 December 2018					
	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Asset Management and Investments RM'000	Group Funding and Others RM'000	Total RM'000
Group						
Net interest income						
– External income	5,331,463	1,465,780	2,169,665	22,715	644,817	9,634,440
– Inter-segment (expense)/income	(282,123)	2,367	415,955	(225)	(135,974)	–
	5,049,340	1,468,147	2,585,620	22,490	508,843	9,634,440
Income from Islamic Banking operations	1,125,302	274,018	739,758	(4,797)	475,880	2,610,161
Net non-interest income	1,887,399	309,613	1,509,893	320,116	18,933	4,045,954
Gain on disposal of subsidiaries and joint ventures	–	–	–	725	1,090,688	1,091,413
	8,062,041	2,051,778	4,835,271	338,534	2,094,344	17,381,968
Overheads of which:	(4,531,970)	(1,131,023)	(2,341,610)	(270,734)	(380,484)	(8,655,821)
– Depreciation of property, plant and equipment	(130,684)	(4,726)	(18,923)	(4,813)	(137,412)	(296,558)
– Amortisation of prepaid lease payments	–	(46)	–	–	(10,184)	(10,230)
– Amortisation of intangible assets	(66,091)	(2,534)	(30,073)	(15,020)	(242,869)	(356,587)
Profit before expected credit losses	3,530,071	920,755	2,493,661	67,800	1,713,860	8,726,147
Expected credit losses (made)/ written back on loans, advances and financing	(534,168)	(252,890)	(677,116)	–	31,513	(1,432,661)
Expected credit losses (made)/ written back on commitments and contingencies	(39,351)	(1,437)	48,231	–	(16)	7,427
Other expected credit losses (made)/ written back for other impairment losses	(1,852)	(5,489)	(101,659)	1,184	(26,684)	(134,500)
Segment results	2,954,700	660,939	1,763,117	68,984	1,718,673	7,166,413
Share of results of joint ventures	2,176	–	(9,243)	37,745	–	30,678
Share of results of associates	–	–	–	3,576	–	3,576
Profit before taxation and zakat	2,956,876	660,939	1,753,874	110,305	1,718,673	7,200,667
Taxation and zakat						(1,537,314)
Profit for the financial year						5,663,353
Segment assets	181,075,798	52,522,761	245,453,213	810,189	37,615,425	517,477,386
Investment in associates and joint ventures	171,863	–	55,004	1,487,323	176	1,714,366
	181,247,661	52,522,761	245,508,217	2,297,512	37,615,601	519,191,752
Unallocated assets	–	–	–	–	–	14,897,291
Total assets	181,247,661	52,522,761	245,508,217	2,297,512	37,615,601	534,089,043
Segment liabilities	176,085,839	47,150,251	221,573,402	739,356	20,525,674	466,074,522
Unallocated liabilities	–	–	–	–	–	15,426,550
Total liabilities	176,085,839	47,150,251	221,573,402	739,356	20,525,674	481,501,072
Other segment items						
Incurred capital expenditure	630,545	5,821	55,585	37,118	322,025	1,051,094
Investment in joint ventures	171,863	–	55,004	1,412,603	–	1,639,470
Investment in associates	–	–	–	74,720	176	74,896

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment reporting (Continued)

	31 December 2017					
	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Group Asset Management and Investments RM'000	Group Funding and Others RM'000	Total RM'000
Group						
Net interest income						
– External income	5,486,000	1,520,244	2,753,373	30,557	668,923	10,459,097
– Inter-segment (expense)/income	(413,189)	57,012	395,831	(184)	(39,470)	–
	5,072,811	1,577,256	3,149,204	30,373	629,453	10,459,097
Income from Islamic Banking operations	934,842	209,612	692,598	(25)	294,786	2,131,813
Net non-interest income	1,893,126	396,439	2,117,115	488,183	102,402	4,997,265
Gain on disposal of subsidiaries and associates	–	–	–	2,655	35,666	38,321
	7,900,779	2,183,307	5,958,917	521,186	1,062,307	17,626,496
Overheads of which:	(4,393,153)	(1,155,397)	(2,823,294)	(304,209)	(457,522)	(9,133,575)
– Depreciation of property, plant and equipment	(142,606)	(6,347)	(48,299)	(7,746)	(147,030)	(352,028)
– Amortisation of prepaid lease payments	–	(46)	(168)	–	(10,973)	(11,187)
– Amortisation of intangible assets	(57,234)	(3,791)	(28,810)	(12,935)	(242,700)	(345,470)
Profit before allowances	3,507,626	1,027,910	3,135,623	216,977	604,785	8,492,921
Allowance (made)/written back for impairment losses on loans, advances and financing	(938,965)	(800,158)	(493,519)	–	1,735	(2,230,907)
Allowance written back/(made) for commitments and contingencies	–	12,586	(2,222)	–	–	10,364
Allowance (made)/written back for other impairment losses	(5,981)	(4,419)	(72,844)	(92,829)	906	(175,167)
Segment results	2,562,680	235,919	2,567,038	124,148	607,426	6,097,211
Share of results of joint ventures	4,659	–	–	8,236	–	12,895
Share of results of associates	–	–	–	(121)	–	(121)
Profit before taxation and zakat	2,567,339	235,919	2,567,038	132,263	607,426	6,109,985
Taxation and zakat						(1,502,019)
Profit for the financial year						4,607,966
Segment assets	169,460,550	52,449,543	235,661,389	1,234,602	34,341,542	493,147,626
Investment in associates and joint ventures	169,687	–	–	90,067	176	259,930
	169,630,237	52,449,543	235,661,389	1,324,669	34,341,718	493,407,556
Unallocated assets	–	–	–	–	–	13,091,976
Total assets	169,630,237	52,449,543	235,661,389	1,324,669	34,341,718	506,499,532
Segment liabilities	164,733,768	52,300,823	208,342,179	668,320	19,023,300	445,068,390
Unallocated liabilities	–	–	–	–	–	11,624,707
Total liabilities	164,733,768	52,300,823	208,342,179	668,320	19,023,300	456,693,097
Other segment items						
Incurred capital expenditure	354,354	5,672	61,705	29,543	260,645	711,919
Investment in joint ventures	169,687	–	–	14,044	–	183,731
Investment in associates	–	–	–	76,023	176	76,199

Basis of pricing for inter-segment transfers:

Inter-segmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

53 SEGMENT REPORTING (CONTINUED)

(b) Geographical segment reporting

The Group's business segments are managed on a worldwide basis and they operate mainly in four main geographical areas:

– Malaysia, the home country of the Group, which includes all the areas of operations in the business segments.

– Indonesia, the areas of operation in this country include all the business segments of a subsidiary bank, PT Bank CIMB Niaga Tbk.

– Thailand, the areas of operation in this country include all the business segments of a subsidiary bank, CIMB Thai.

– Other countries include branch and subsidiary operations in Singapore, United Kingdom, China, Cambodia, Hong Kong, Vietnam and Philippines. The overseas operations involved mainly in corporate lending and borrowing, and stockbroking activities. With the exception of Malaysia, Indonesia and Thailand, no other individual country contributed more than 10% of the consolidated net interest income or assets.

The Group	Net interest income RM'000	Total non-current assets RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2018					
Malaysia	**4,264,418**	**18,843,756**	**344,399,889**	**313,345,851**	**670,029**
Indonesia	**3,150,277**	**1,461,828**	**74,915,999**	**65,010,691**	**249,140**
Thailand	**1,430,007**	**789,268**	**45,746,423**	**40,739,179**	**59,681**
Other countries	**789,738**	**1,869,119**	**69,026,732**	**62,405,351**	**72,244**
	9,634,440	**22,963,971**	**534,089,043**	**481,501,072**	**1,051,094**
2017					
Malaysia	4,494,563	16,558,889	322,694,983	294,165,204	368,488
Indonesia	3,767,857	1,038,917	79,003,053	68,511,126	232,015
Thailand	1,362,791	758,567	37,468,931	33,273,870	47,741
Other countries	833,886	7,671,472	67,332,565	60,742,897	63,675
	10,459,097	26,027,845	506,499,532	456,693,097	711,919

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Disposal of equity business of CIMB Securities International Pte. Ltd. ("CSI") and Acquisition of equity interest in Jupiter Securities Sdn Bhd ("Jupiter Securities")

On 17 October 2016, the Group announced that CIMB Group Sdn Bhd ("CIMBG"), a wholly-owned subsidiary of the Company, has signed a Heads of Terms with China Galaxy International Financial Holdings Limited ("CGI"), a wholly-owned subsidiary of China Galaxy Securities Co. Ltd. ("CGS"), with respect to a potential strategic partnership in the cash equities business in the region.

On 6 June 2017, CIMBG has signed a conditional Share Purchase Agreement with CGI with respect to the sale of 50% of the issued and paid-up share capital of CIMB Securities International Pte. Ltd. ("CSI") to CGI ("Proposed Disposal").

The consideration, for the Proposed Disposal amounts to approximately S$167 million (approximately RM515 million), and was arrived at based on a multiple of 1.3 times to the consolidated net asset value of CSI as at 31 December 2015, is subject to completion of audit adjustment, if any. Refer Note 59(b).

On 6 September 2017, CIMBG signed a conditional Share Purchase Agreement to acquire 100% equity interest in Jupiter Securities Sdn Bhd ("Jupiter Securities") for a cash consideration of RM55 million ("Proposed Acquisition"). The proposed acquisition is in connection with the proposed partnership with CGI, wherein Jupiter Securities shall be the platform for the partnership's operations in Malaysia.

The Proposed Disposal was completed on 18 January 2018.

The Securities Commission has on 2 April 2018 approved the Proposed Acquisition and the proposed sale of CIMBG's Malaysia cash equities business including the sale of 100% equity interest in CIMB Futures Sdn Bhd to Jupiter Securities Sdn Bhd ("Jupiter Securities") in connection with the Proposed Partnership. On 10 August 2018, the Group announced that approval from BNM has been received.

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Capital injection into CIMB Bank PLC by CIMB Bank

On 23 March 2017, CIMB Bank Berhad completed the capital injection of USD12.5 million into new ordinary shares of CIMB Bank PLC. The new 12,500,000 ordinary shares were issued by CIMB Bank PLC at an issue price of USD1 each to CIMB Bank Berhad. On 15 December 2017, CIMB Bank injected USD6.2 million into CIMB Bank PLC. The amount is recorded under other receivables pending the approval from National Bank of Cambodia and Ministry of Commerce on the registration of CIMB Bank PLC's share capital.

CIMB Bank PLC obtained the approval from National Bank of Cambodia and Ministry of Commerce on the registration of its share capital on 19 January 2018 and 13 February 2018 respectively.

(c) Proposed joint venture between Touch 'n Go ("TnG") and Alipay Singapore E-Commerce Pte Ltd ("Alipay")

On 24 July 2017, TnG, a 52.22% subsidiary of CIMBG has entered into an Investment Agreement with Alipay Singapore E-commerce Pte Ltd ("Alipay"), a subsidiary of Ant Financial Services Group to set up a joint venture entity to be incorporated in Malaysia, where TnG will participate as a majority shareholder and Alipay will participate as a minority shareholder to launch a new mobile platform for payments and other related financial services in Malaysia.

On 8 November 2017, BNM has approved the incorporation of TNG Digital Sdn Bhd ("TNG Digital") which is intended to become the joint venture entity. On 8 January 2018, BNM has granted to TNG Digital the approval to issue Designated Payment Instrument under Section 11 of the Financial Services Act 2013.

On 14 February 2018, the Proposed joint venture has been completed. Upon completion, TNG Digital is a subsidiary of CIMBG and TnG.

(d) Disposal of 20% equity stake in CIMB-Principal Asset Management Bhd ("CPAM") to Principal International (Asia) Limited ("PIA") and 10% equity stake in CIMB-Principal Islamic Asset Management Sdn Bhd ("CPIAM") to Principal Financial Services Inc. ("PFI")

On 11 January 2018, CIMB Group Sdn Bhd ("CIMBG") entered into sale and purchase agreements to divest 20% equiy stake in CPAM to PIA and 10% equity stake in CPIAM to PFI for a total consideration of RM470,294,050 ("Proposed Divestment"). PIA and PFI are the existing shareholders of CPAM and CPIAM respectively, and are subsidiaries of Principal Financial Group Inc. CPAM and CPIAM had obtained the Securities Commission Malaysia's approval on the proposed changes of its controlling shareholder on 9 April 2018. On 25 May 2018, the proposed divestment was completed, and CPAM ceased to be a subsidiary of the Group. The Group is expected to recognise a gain of approximately RM920 million and about 15 bps increase in its Common Equity Tier 1 ("CET1") ratio arising from the Proposed Divestment, subject to final adjustments. Refer Note 59(c).

(e) Full redemption of bonds and Sukuk

The redemptions during the financial year are as follows:

(i) On 22 January 2018, CIMB Bank has redeemed its HKD171 million 5-year senior unsecured fixed rate notes as disclosed in Note 31(b);

(ii) On On 22 March 2018, CIMB Bank has redeemed its SGD20 million senior unsecured notes as disclosed in Note 31(c);

(iii) CIMB Bank had redeemed its SGD100 million 3-year senior fixed rate notes with a maturity date of 30 June 2018 as disclosed in Note 31 (j);

(iv) On 6 August 2018, CIMB Bank has redeemed its CNY220 million 3-year senior fixed rate notes as disclosed in Note 31(k);

(v) On 3 September 2018, CIMB Niaga has redeemed its series A Bond of IDR2,000,000 million bonds amounted to IDR802,000 million as disclosed in Note 31 (x);

(vi) On 20 November 2018, CIMB Niaga has redeemed its 5-year Series C Senior Bond amounted to IDR850 billion as disclosed in Note 31 (d);

(vii) On 12 November 2018, CIMB Niaga has redeemed its Series A Bond of IDR2,000,000 million bonds amounted to IDR500,000 million as disclosed in Note 31 (y); and

(viii) On 31 December 2018, CIMB Islamic Bank redeemed its RM1.0 million Sukuk Wakalah as disclosed in Note 31 (z).

(f) Full redemption of subordinated obligations of the Group

The redemptions during the financial year are as follows:

(i) On 5 October 2018, CIMB Bank redeemed its RM1.0 billion subordinated bonds on its first optional as disclosed in Note 33(b);

(ii) On 13 September 2018 and 16 October 2018, CIMB Bank has redeemed in full its RM750 million and RM300 million 10 years tranche Subordinated Debt as disclosed in Note 33(h);

(g) Redemption of RM350 million MTNs

On 11 June 2018, the Company has redeemed the RM350 million MTNs as disclosed in Note 32(a).

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(h) Issuance of subordinated obligations

Issuance during the financial year are as follows:

(i) On 29 March 2018, the Company issued RM700 million 10 years non-callable 5 years Tier 2 subordinated debt bearing a fixed rate coupon of 4.95% p.a.(see Note 33(q));

(ii) On 29 March 2018, CIMB Thai Bank issued RM390 million 10 years non callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM390 milion Notes carry fixed interest rate of 5.20% per annum payable every six months. (see Note 33(r));

(iii) On 13 September 2018, CIMB Group Holdings Berhad issued RM1.2 billion 11 years, on a non-callable 6 years basis, Tier 2 subordinated debt bearing a fixed rate coupon of 4.88% p.a.. (see Note 33(s));

(iv) On 23 October 2018, the Company issued RM1.0 billion perpetual subordinated capital securities ("Additional Tier 1 Securities"). The securities, which qualify as Additional Tier 1 Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.40% p.a. (see Note 33(t));

(v) On 15 November 2018, CIMB Niaga issued Series A Subordinated Bond of IDR75 billion with fixed interest rate of 9.85% per annum. (see Note 33(u)); and

(vi) On 15 November 2018, CIMB Niaga issued Series B Subordinated Bond of IDR75 billion with fixed interest rate of 10.00% per annum. (see Note 33(v)).

(i) Issuance of bonds and Sukuk

Issuance during the financial year are as follows:

(i) On 20 September 2018, CIMB Niaga issued IDR1,021,000 million bonds. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR766,000 million, IDR137,000 million and IDR118,000 million respectively, with fixed interest rate of 7.50%, 8.50% and 8.80% per annum respectively. (see Note 31(ab));

(ii) On 15 Nov 2018, CIMB Niaga issued IDR1,000,000 million bonds. The bonds are divided into two series. Nominal value of 1 year Series A Bond and 3 years Series B Bond amounted to IDR441,000 million and IDR559,000 million respectively, with fixed interest rate of 8.35% and 9.25% per annum respectively. (see Note 31(ac)).

(j) Issuance of MTNs

On 11 June 2018, the Company issued RM350 million MTNs which will mature on 12 June 2019 as disclosed in Note 32(a).

(k) Rights issue at CIMB Bank

On 29 June 2018, CIMB Bank issued 224.6 million Rights Issue at RM5.69 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM1,278 million.

On 21 December 2018, CIMB Bank issued 217.7 million Rights Issue at RM5.51 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM1,199 million.

55 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

(a) On 23 January 2019, CIG, a wholly-owned indirect subsidiary of the Company, entered into a Share Purchase Agreement with HBG Asia Holdings Limited and Howden to divest 510,000 shares in CIMB Howden Insurance Brokers ("CHIB"), representing CIG's entire stake of 51% of the issued capital of CHIB, to Howden for a consideration of RM59.6 million ("Proposed Divestment"). Approval from Bank Negara Malaysia in relation to the Proposed Divestment was received by Howden on 27 November 2018. On 31 January 2019, the Proposed Divestment has been completed.

(b) On 23 January 2019, CIMB Group Sdn Bhd ("CIMBG"), a wholly-owned subsidiary of the Company, received the relevant approvals from the Securities and Exchange Commission of the Philippines to establish its investment banking business in the Philippines. This includes the receipt of Certificate of Incorporation and Certificate of Registration for an Investment House license ("SEC Approvals"). CIMBG will be operating its investment banking business in the Philippines via a 60% shareholding in CIMB Bancom Capital Corporation ("CIMB Bancom"), with the remaining 40% stake in CIMB Bancom to be held by local partners, Bancom II Consultants, Inc. ("Bancom II") and PLP Group Holdings, Inc. ("PLP Group"). With the receipt of the SEC Approvals, CIMBG, Bancom II and PLP Group had entered into a joint venture agreement on 23 January 2019.

56 CAPITAL ADEQUACY

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

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

The capital adequacy ratios of the banking subsidiaries of the Group are computed as follows:

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework ("CAF") (Capital Components)/Capital Adequacy Framework for Islamic Banks ("CAFIB") (Capital Components), of which the latest revision was issued on 2 February 2018. The revised guidelines took effect for all banking institutions on 1 January 2018 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 Bank Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 2 February 2018.

The Internal Ratings Based ("IRB") Approach adopted by CIMB Bank and CIMB Islamic Bank is applied for the major credit exposures with retail exposures on Advance 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 the Basic Indicator Approach. As for CIMB Investment Bank Group, the Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on the Basic Indicator Approach.

The capital adequacy ratios of CIMB Thai Bank is based on the Bank of Thailand (BOT) Notification No. FPG. 9/2561 issued on 17 July 2018. The risk weighted assets of CIMB Thai Bank is based on Bank of Thailand (BOT) requirements and are computed in accordance with the revised "Notification of The BOT. No. SorNorSor. 12/2555 – The supervisory capital funds of commercial banks" dated 8 November 2012. Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The capital adequacy ratios of Bank CIMB Niaga is based on Bank Indonesia's requirements. The approach for Credit Risk and Market Risk is based on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

The regulatory compliance ratio of CIMB Bank PLC refers to the Solvency Ratio. The Solvency ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived from CIMB Bank PLC's net worth divided by its risk-weighted assets.

Capital adequacy ratio of CIMB Bank (Vietnam) Ltd. is calculated and managed according to local regulations as per the requirement of State Bank of Vietnam (SBV) in circular 36/2014/TT-NHNN dated 20 November 2014 with minimum compliance of 9%, amended by circular 06/2016/TT-NHNN dated 27 May 2016 and circular 19/2017/TT-NHNN dated 28 December 2017. On 30 December 2016, SBV officially issued circular 41/2016/TT-NHNN (effective 1 January 2020) requiring banks and branches of foreign banks to maintain the minimum CAR at 8% which covers credit, market and operational risk.

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2018. The banking subsidiaries issue various capital instruments pursuant to the respective regulatory guidelines, that qualify as capital pursuant to the Capital Adequacy Framework (CAF) and Capital Adequacy Framework for Islamic Banks (CAFIB) issued by BNM.

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56 CAPITAL ADEQUACY (CONTINUED)

(a) The total capital base and capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited), CIMB Bank Group, CIMB Investment Bank Group, CIMB Islamic Bank, Bank CIMB Niaga, CIMB Thai, CIMB Bank PLC and CIMB Bank (Vietnam) Ltd for the financial year ended 31 December 2018 are as follows. The individual entities within the Group and the Group complied with all externally imposed capital requirements to which they are subject to.

31 December 2018	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000	CIMB Bank (Vietnam) Ltd RM'000
Before deducting proposed dividends								
Common equity tier I ratio	**12.914%^**	**13.505%**	**13.319%**	**13.357%^**	**31.110%**	**17.968%**	**N/A**	**N/A**
Tier I ratio	**14.342%^**	**14.026%**	**13.319%**	**14.444%^**	**31.110%**	**17.968%**	**N/A**	**N/A**
Total capital ratio	**19.035%^**	**16.194%**	**18.688%**	**18.302%^**	**31.110%**	**19.204%**	**15.707%**	**122.265%**
After deducting proposed dividends								
Common equity tier I ratio	**12.230%^**	**13.505%**	**13.319%**	**12.887%^**	**30.254%**	**17.968%**	**N/A**	**N/A**
Tier I ratio	**13.659%^**	**14.026%**	**13.319%**	**13.974%^**	**30.254%**	**17.968%**	**N/A**	**N/A**
Total capital ratio	**18.351%^**	**16.194%**	**18.688%**	**17.832%^**	**30.254%**	**19.204%**	**15.707%**	**122.265%**
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:								
Credit risk	**139,780,748^^**	**30,912,888**	**24,936,026**	**203,544,033^^**	**898,080**	**50,460,048**	**2,471,600**	**442,606**
Market risk	**10,773,681**	**452,745**	**4,253,122**	**16,395,328**	**397,868**	**555,625**	**–**	**–**
Operational risk	**14,727,726**	**2,742,729**	**2,187,790**	**20,794,460**	**573,431**	**7,555,277**	**–**	**–**
Large exposure risk	**881,647**	**–**	**–**	**881,647**	**–**	**–**	**–**	**–**
	166,163,802	**34,108,362**	**31,376,938**	**241,615,468**	**1,869,379**	**58,570,950**	**2,471,600**	**442,606**

^ *CIMB Group successfully completed its eleventh DRS of which RM1,278 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM1,278 million into CIMB Bank via rights issue which was completed on 29 June 2018.*

CIMB Group successful completed its twelfth DRS for the first interim dividend in respect of the financial year ended 31 December 2018. Pursuant to the DRS, CIMB Group reinvested cash dividend surplus of RM974 million and an additional equity injection of RM226 million into CIMB Bank via rights issue which was completed on 21 December 2018.

CIMB Group's second interim dividend in respect of the financial year ended 31 December 2018 will be made applicable under the DRS. Pursuant to the DRS, CIMB Group intends to reinvest the excess cash dividend into CIMB Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank above those stated above.

56 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2018 are as follows:

31 December 2018	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000	CIMB Bank (Vietnam) Ltd RM'000
Tier I capital								
Ordinary share capital	20,088,345	1,000,000	2,218,619	20,088,345	100,000	389,562	310,313	568,275
Other reserves	13,363,305	4,295,342	2,256,996	20,539,125	515,322	10,398,518	32,719	252
Qualifying non-controlling interests	–	–	–	156,841	–	–	–	–
Less: Proposed dividends	(1,135,854)	–	–	(1,135,854)	(15,990)	–	–	–
Common Equity Tier I capital before regulatory adjustments	32,315,796	5,295,342	4,475,615	39,648,457	599,332	10,788,080	343,032	568,527
Less: Regulatory adjustments								
Goodwill	(3,555,075)	(136,000)	–	(5,213,838)	(964)	–	–	–
Intangible assets	(830,487)	(71,330)	(61,286)	(975,612)	–	–	(1,610)	–
Deferred tax assets	(552,391)	(77,454)	(119,552)	(776,984)	(19,239)	(27,206)	–	–
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(5,856,416)	–	–	–	(9,311)	(236,929)	–	–
Deduction in excess of Tier II capital	–	–	–	–	(4,251)	–	–	–
Regulatory reserve	(1,197,301)	(404,378)	–	(1,542,976)	–	–	–	–
Others	(2,182)	–	(115,626)	(2,182)	–	–	(4,800)	(28,694)
Common Equity Tier I capital after regulatory adjustments	20,321,944	4,606,180	4,179,151	31,136,865	565,567	10,523,945	336,622	539,833
Additional Tier I capital								
Perpetual preference shares	200,000	178,000	–	200,000	–	–	–	–
Non-innovative Tier I Capital								
Innovative Tier I Capital	1,000,000	–	–	1,000,000	–	–	–	–
Perpetual subordinated capital securities	1,400,000	–	–	1,400,000	–	–	–	–
Qualifying capital instruments held by third parties	–	–	–	32,685	–	–	–	–
Additional Tier I capital before regulatory adjustments	2,600,000	178,000	–	2,632,685	–	–	–	–
Less: Regulatory adjustments								
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(225,956)	–	–	(5,956)	–	–	–	–
Additional Tier I capital after regulatory adjustments	2,374,044	178,000	–	2,626,729	–	–	–	–
Total Tier I Capital	22,695,988	4,784,180	4,179,151	33,763,594	565,567	10,523,945	336,622	539,833

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56 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2018 are as follows (Continued):

31 December 2018	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000	CIMB Bank (Vietnam) Ltd RM'000
Tier II capital								
Subordinated notes	7,900,000	610,000	1,560,225	7,900,000	–	177,318	28,963	–
Redeemable preference shares	29,740	–	–	29,740	4	–	–	–
Surplus of eligible provision over expected loss	708,469	67,111	–	325,153	–	–	–	–
Qualifying capital instruments held by third parties	–	–	–	408,443	–	–	–	–
General provisions √	271,282	62,111	124,236	659,423	–	546,964	22,627	1,320
Tier II capital before regulatory adjustments	8,909,491	739,222	1,684,461	9,322,759	4	724,282	51,590	1,320
Less: Regulatory adjustments								
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(1,112,125)	–	–	(759)	(4,255)	–	–	–
Total Tier II capital	7,797,366	739,222	1,684,461	9,322,000	–	724,282	51,590	1,320
Total Capital	30,493,354	5,523,402	5,863,612	43,085,594	565,567	11,248,227	388,212	541,153

√ *The capital of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2018 have excluded general provisions restricted from Tier II capital of RM160 million, RM147 million and RM13 million respectively.*

^^ *The RWA for credit risk relating to the Restricted Agency Investment Account (refer Note 12(i)(c) for more details) are as follows:*

	CIMB Bank Group RM'000	CIMB Bank RM'000
Under Restricted Agency Investment Account arrangement	316,179	316,179

56 CAPITAL ADEQUACY (CONTINUED)

(c) The capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited), CIMB Investment Bank Group, CIMB Islamic Bank, Bank CIMB Niaga, CIMB Thai and CIMB Bank PLC for the financial year ended 31 December 2017 are as follows:

31 December 2017	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000	CIMB Bank (Vietnam) Ltd RM'000
Before deducting proposed dividends								
Common equity tier I ratio	12.866%^	13.286%	12.471%	12.942%^	35.950%	17.010%	N/A	N/A
Tier I ratio	14.333%^	13.892%	12.471%	14.095%^	35.950%	17.010%	N/A	N/A
Total capital ratio	17.784%^	16.291%	16.631%	17.700%^	35.950%	18.225%	16.622%	332.242%
After deducting proposed dividends								
Common equity tier I ratio	11.879%^	13.286%	12.471%	12.227%^	30.867%	17.010%	N/A	N/A
Tier I ratio	13.347%^	13.892%	12.471%	13.381%^	30.867%	17.010%	N/A	N/A
Total capital ratio	16.797%^	16.291%	16.631%	16.986%^	30.867%	18.225%	16.622%	332.242%
The breakdown of risk-weighted assets ("RWA") by each major risk category are as follows:								
Credit risk	138,811,146	27,492,260	23,081,198	193,146,506	1,110,035	52,021,720	1,912,198	172,160
Market risk	11,050,726	629,312	4,560,714	14,125,733	56,342	807,243	–	–
Operational risk	14,330,500	2,371,944	2,146,905	19,782,736	643,358	7,428,716	–	–
Large exposure risk	768,600	–	–	768,600	–	–	–	–
	164,960,972	30,493,516	29,788,817	227,823,575	1,809,735	60,257,679	1,912,198	172,160

^ *CIMB Group Holdings Berhad ("CIMB Group"), the ultimate holding company of CIMB Bank, successfully completed its ninth Dividend Reinvestment Scheme ("DRS") of which RM871 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM490 million into CIMB Bank via rights issue which was completed on 21 June 2017.*

CIMB Group successfully completed its tenth DRS of which RM968 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM934 million into CIMB Bank via rights issue which was completed on 22 December 2017.

CIMB Group implemented a DRS for the second interim dividend in respect of the financial year ended 2017. Pursuant to the DRS, CIMB Group intends to reinvest the excess cash dividend into CIMB Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank above those stated above.

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56 CAPITAL ADEQUACY (CONTINUED)

(d) Components of Tier I and Tier II capital for the financial year ended 31 December 2017 are as follows:

31 December 2017	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000	CIMB Bank (Vietnam) Ltd RM'000
Tier I capital								
Ordinary share capital	17,610,939*	1,000,000	1,882,481	17,610,939*	100,000	409,368	253,406	571,904
Other reserves	13,904,088*	3,575,715	2,010,652	20,007,741*	583,317	10,118,418	25,858	42
Qualifying non-controlling interests	–	–	–	152,698	–	–	–	–
Less: Proposed dividends	(1,627,553)	–	–	(1,627,553)	(92,000)	–	–	–
Common Equity Tier I capital before regulatory adjustments	29,887,474	4,575,715	3,893,133	36,143,825	591,317	10,527,786	279,264	571,946
Less: Regulatory adjustments								
Goodwill	(3,555,075)	(136,000)	–	(5,177,536)	(964)	–	–	–
Intangible assets	(832,713)	(78,777)	(36,301)	(951,237)	–	–	(1,705)	–
Deferred tax assets	(157,309)	(18,110)	(127,240)	(382,224)	(21,344)	(45,207)	–	–
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(4,260,702)	–	–	–	(6,859)	(232,828)	–	–
Deduction in excess of Tier II capital	–	–	–	–	(1,417)	–	–	–
Shortfall of eligible provisions to expected losses	–	–	–	–	–	–	–	–
Regulatory reserve	(1,208,956)	(291,600)	–	(1,500,556)	(1,952)	–	–	–
Others	(276,973)	–	(14,548)	(275,149)	(174)	–	(4,414)	–
Common Equity Tier I capital after regulatory adjustments	19,595,746	4,051,228	3,715,044	27,857,123	558,607	10,249,751	273,145	571,946
Additional Tier I capital								
Perpetual preference shares	200,000	185,000	–	200,000	–	–	–	–
Non-innovative Tier I Capital	–	–	–	–	–	–	–	–
Innovative Tier I Capital	1,000,000	–	–	1,000,000	–	–	–	–
Perpetual subordinated capital securities	1,400,000	–	–	1,400,000	–	–	–	–
Qualifying capital instruments held by third parties	–	–	–	30,301	–	–	–	–
Additional Tier I capital before regulatory adjustments	2,600,000	185,000	–	2,630,301	–	–	–	–
Less: Regulatory adjustments								
Investments in Additional Tier I capital instruments of subsidiaries and other financial and insurance/takaful entities	(178,641)	–	–	(2,641)	–	–	–	–
Additional Tier I capital after regulatory adjustments	2,421,359	185,000	–	2,627,660	–	–	–	–
Total Tier I Capital	22,017,105	4,236,228	3,715,044	30,484,783	558,607	10,249,751	273,145	571,946

* *The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of CIMB Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act, 2016 (the "Act"), on 31 January 2017 any amount standing to the credit of CIMB Bank's share premium account has become part of its share capital. Notwithstanding this provision, CIMB Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act.*

56 CAPITAL ADEQUACY (CONTINUED)

(d) Components of Tier I and Tier II capital for the financial year ended 31 December 2017 are as follows (Continued):

31 December 2017	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000	CIMB Bank (Vietnam) Ltd RM'000
Tier II capital								
Subordinated notes	7,050,000	610,000	1,129,779	7,050,000	–	190,362	28,382	–
Redeemable preference shares	29,740	–	–	29,740	5	–	–	–
Surplus of eligible provision over expected loss	267,987	40,691	–	118,446	–	–	–	39
Qualifying capital instruments held by third parties	–	–	–	363,627	–	–	–	–
Portfolio impairment allowance & regulatory reserve √	254,766	80,754	109,306	651,277	2,037	541,685	16,321	4
Tier II capital before regulatory adjustments	7,602,493	731,445	1,239,085	8,213,090	2,042	732,047	44,703	43
Less: Regulatory adjustments								
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(1,911,008)	–	–	(660)	(3,459)	–	–	–
Total Tier II capital	5,691,485	731,445	1,239,085	8,212,430	–	732,047	44,703	43
Total Capital	27,708,590	4,967,673	4,954,129	38,697,213	558,607	10,981,798	317,848	571,989

√ *The capital of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2017 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM165 million, RM151 million and RM14 million respectively.*

57 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Expected credit loss allowance on financial assets at amortised cost and FVOCI

The expected credit loss allowance for financial assets at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss.

Refer to Section 61.1 Credit risk measurement for details on the key judgements and assumptions of the estimation of expected credit loss allowance for financial assets at amortised cost and FVOCI.

(b) Goodwill impairment

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

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

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 22 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

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

(c) Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 61.4.

(d) Provision of taxation

The Group is subject to taxation in numerous jurisdictions and is routinely under audit by many different taxing authorities in the ordinary course of business. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as taxing authorities may challenge some of the Group's positions and propose adjustments or changes to its tax filings. As a result, the Group maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the Group's best estimates of the amount expected to be paid based on a qualitative assessment of all relevant factors.

The Group reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances. Due to the uncertainty associated with tax audits, it is possible that at some future date, liabilities resulting from such audits or related litigation could vary significantly from the Group's provisions. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. However, based on currently enacted legislation, information currently known by the Group and after consultation with external tax advisors, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on the Group's financial condition taken as a whole.

58 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current assets held for sale:					
Property, plant and equipment and investment property	(a)	**21,637**	14,855	**7,862**	7,862
Disposal group held for sale	(b)	**298,530**	4,596,083	**–**	1,030,997
Total non-current assets held for sale		**320,167**	4,610,938	**7,862**	1,038,859
Non-current liabilities held for sale:					
Disposal group held for sale	(b)	**87,471**	3,631,608	**–**	–
Total non-current liabilities held for sale		**87,471**	3,631,608	**–**	–

(a) Property, plant and equipment of the Group where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2019.

Fair value of property plant and equipment held for sale

In accordance with MFRS 5, the non-current assets held for sale were stated at the lower of carrying amount and fair value less cost to sell. As at 31 December 2018, the property, plant and equipment held for sale that were stated at fair value less cost to sell was RM13,775,000 (2017: RM4,612,000). This is a non-recurring fair value which has been measured using observable inputs under sales comparison approach performed by independent valuers. Sales prices of comparable land and building in close proximity are adjusted for differences in key attributes such as property size. Therefore, it is within Level 2 of the fair value hierarchy.

(b) Disposal group held for sale

During the financial year

On 6 September 2017, CIMBG signed a conditional Share Purchase Agreement to acquire 100% equity interest in Jupiter Securities Sdn Bhd ("Jupiter Securities") for a cash consideration of RM55 million ("Proposed Acquisition"). The proposed acquisition is in connection with the proposed partnership with CGI, wherein Jupiter Securities shall be the platform for the partnership's operations in Malaysia.

The Securities Commission has on 2 April 2018 approved the Proposed Acquisition and the proposed sale of CIMBG's Malaysia cash equities business including the sale of 100% equity interest in CIMB Futures Sdn Bhd to Jupiter Securities Sdn Bhd ("Jupiter Securities") in connection with the Proposed Partnership. On 10 August 2018, the Group announced that approval from BNM has been received. On 28 September 2018, the Proposed Acquisition has been completed.

On 18 December 2018, CIMBG, CGI and CGS-CIMB Holdings Sdn Bhd (the "Malaysia JV Entity") have signed a Share Subscription Agreement for the subscription of new shares in the Malaysia JV Entity ("Proposed MY Share Subscription"), which shall be the holding company for the Malaysia stockbroking business of the CGS-CIMB joint venture. At completion, CIMBG and CGI will be 50:50 shareholders in the Malaysia JV Entity. The parties will proceed with the necessary process to effect the transfer of the Malaysia stockbroking business of CIMB Group into Jupiter Securities Sdn Bhd ("Jupiter Securities") ("Proposed Business Transfer"). Jupiter Securities is a 100%-owned subsidiary of the Malaysia JV Entity and will be the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia. The consideration in connection with the Proposed Business Transfer, which was determined based on the future prospects and net asset value of the in-scope business as at 31 December 2015 will be satisfied in cash. The consideration is subject to closing audit adjustments, if any. CIMB Group is estimated to record a gain on disposal of approximately RM200 million, after taking into account the premium on the disposal of approximately RM433 million and goodwill attributable to the business.

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58 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

(b) Disposal group held for sale (Continued)

During the financial year (Continued)

The assets and liabilities of the disposal group as at 31 December 2018 are as follows:

	The Group RM'000
Assets classified as held for sale	
Cash and short term funds	**2,284**
Deposits and placements with banks and other financial institutions	**12,914**
Securities designated at fair value through profit or loss	**278**
Other assets	**45,152**
Taxation recoverable	**543**
Deferred tax assets	**165**
Property, plant and equipment	**9,028**
Goodwill	**228,156**
Intangible assets	**10**
	298,530
Liabilities classified as held for sale	
Other liabilities	**87,471**
	87,471

In prior year

The Group's investment in CSI has been presented as held for sale as at 31 December 2017 following the announcement made by CIMB Group that CIMBG entered into a Share Purchase Agreement with CGI to sell 50% of the issued and paid-up share capital of CSI to CGI for a total consideration approximated to S$167 million (approximately RM515 million). The carrying amounts of the assets are measured in accordance with their applicable accounting policies before the initial classification of the assets as held for sale. Non-current assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Refer to Note 54(a). The disposal group is presented in the wholesale banking segment in Note 53.

The assets and liabilities of the disposal group of CSI as at 31 December 2017 are as follows:

	The Group RM'000	The Company RM'000
Assets classified as held for sale		
Cash and short term funds	447,819	–
Reverse repurchase agreements	33,167	–
Deposits and placements with banks and other financial institutions	219,931	–
Financial assets held for trading	319,612	–
Financial investments available-for-sale	3,139	–
Financial investments held-to-maturity	4,534	–
Derivative financial instruments	15,303	–
Loans, advances and financing	960,153	–
Other assets	2,481,608	–
Taxation recoverable	5	–
Deferred tax assets	33,010	–
Investment in a subsidiary	–	1,030,997
Property, plant and equipment	56,425	–
Prepaid lease payments	824	–
Intangible assets	20,553	–
	4,596,083	1,030,997
Liabilities classified as held for sale		
Derivative financial instruments	1,681	–
Other liabilities	2,304,681	–
Taxation	4,959	–
Bonds and debentures	227,606	–
Other borrowings	1,092,681	–
	3,631,608	–

59 SIGNIFICANT DISPOSAL OF SUBSIDIARIES WITH LOSS OF CONTROL

Disposal during the financial year

(a) Disposal of interest in subsidiaries that resulted in loss of control

Name of subsidiaries	Note
CSI	59(b)
CPAM	59(c)

(b) The cash flows and net assets of CSI are as follows:

	Note	The Group 2018 RM'000
Non current asset held for sale		4,596,083
Non current liability held for sale		(3,631,608)
Non controlling interests		(18,563)
Net assets		945,912
Reclassification of foreign currency exchange reserves and revaluation reserve of fair value through other comprehensive income		(104,111)
Net gain on disposal and remeasurement of subsidiary		162,854
Sales considerations (inclusive for fair value adjustment)		1,004,655
less: Fair value of equity interest retained as a joint venture	18	(502,327)
		502,328
less: Retention sum		(49,993)
Total sales considerations received in cash		452,335
less: Cash and short term funds of subsidiary disposed		(447,819)
Cash inflow on disposal of subsidiary		4,516

(c) The cash flows and net assets of CPAM are as follows:

	Note	The Group 2018 RM'000
Cash and short-term funds		508,866
Deposits and placements with banks and other financial institutions		59,393
Financial assets at fair value through profit or loss		17,428
Debt instruments at fair value through other comprehensive income		189
Loans, advances and financing		70
Other assets		332,391
Tax recoverable		4,207
Deferred tax assets		9,040
Property, plant and equipment		11,126
Goodwill		290,506
Intangible assets		11,503
Other liabilities		(443,603)
Provision for taxation		(8,979)
Non controlling interests		(368,725)
Net assets		423,412
Reclassification of foreign currency exchange reserves and revaluation reserve of fair value through other comprehensive income		1,490
Net gain on disposal and remeasurement of subsidiary		925,913
Sales considerations (inclusive for fair value adjustment)		1,350,815
less: Fair value of equity interest retained as a joint venture	18	(900,542)
		450,273
less: Deferred consideration		(156,236)
Total sales considerations received in cash		294,037
less: Cash of subsidiary disposed		(508,866)
Cash outflow on disposal of subsidiary		(214,829)

60 CHANGE IN ACCOUNTING POLICIES

Set out below are disclosures relating the impact of the adoption of MFRS 9 of the Group and the Company. Further details of the specific MFRS 9 accounting policies applied in current financial year are described in more detail in section E, F, G, I, Q and Y of the Summary of Significant Accounting Policies.

(i) The measurement category and carrying amount of the Group's and the Company's financial assets and financial liabilities on 1 January 2018 is as follows:

			The Group As at 1 January 2018		The Company As at 1 January 2018	
	Original measurement category under MFRS 139	New measurement category under MFRS 9	Original measurement category under MFRS 139 RM'000	New classification and measurement category under MFRS 9 RM'000	Original measurement category under MFRS 139 RM'000	New classification and measurement category under MFRS 9 RM'000
Financial assets						
Cash and short-term funds	Loans and receivables	Amortised cost	41,667,884	41,667,843	182,809	182,809
Reverse repurchase agreements	Loans and receivables	Amortised cost	5,977,125	5,977,125	–	–
Reverse repurchase agreements	Loans and receivables	FVTPL	507,562	493,882		
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	4,055,330	4,053,723	–	–
Financial assets held for trading	FVTPL	FVTPL	21,650,153	21,650,153	–	–
Financial assets held for trading	FVTPL	Amortised cost	7,059	7,079		
Derivative financial instruments	FVTPL	FVTPL	8,447,957	8,447,957	–	–
Investment securities – debt instruments	Available-for-sale	FVOCI	29,201,994	29,201,901	1,433,024	1,433,024
Investment securities – equity instruments	Available-for-sale	FVOCI	725,550	725,550	–	–
Investment securities – debt instruments	Available-for-sale	FVTPL	1,558,115	1,558,115	–	–
Investment securities – debt instruments	Available-for-sale	Amortised cost	918,327	942,109		
Investment securities – debt instruments	Held to maturity	Amortised cost	35,578,010	35,557,079	3,518,264	3,491,710
Investment securities – debt instruments	Held to maturity	FVTPL	540,110	526,324	–	–
Investment securities – debt instruments	Held to maturity	FVOCI	803,095	812,643		
Loans, advances and financing	Loans and receivables	Amortised cost	315,422,074	313,240,639	–	–
Loans, advances and financing	Loans and receivables	FVTPL	1,134,938	1,134,938	–	–
Other assets	Loans and receivables	Amortised cost	12,147,332	12,147,332	42,195	42,195

60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(i) The measurement category and carrying amount of the Group's and the Company's financial assets and financial liabilities on 1 January 2018 is as follows: (Continued)

			The Group As at 1 January 2018		The Company As at 1 January 2018	
	Original measurement category under MFRS 139	**New measurement category under MFRS 9**	**Original measurement category under MFRS 139 RM'000**	**New classification and measurement category under MFRS 9 RM'000**	**Original measurement category under MFRS 139 RM'000**	**New classification and measurement category under MFRS 9 RM'000**
Financial liabilities						
Deposits from customers	Amortised cost	Amortised cost	**348,518,277**	**348,518,277**	**–**	**–**
Investment accounts of customers	Amortised cost	Amortised cost	**907,763**	**907,763**	**–**	**–**
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	**19,751,576**	**19,751,576**	**–**	**–**
Repurchase agreements	Amortised cost	Amortised cost	**6,122,273**	**6,122,273**	**–**	**–**
Financial liabilities designated at fair value through profit or loss	FVTPL (designated)	FVTPL (designated)	**4,773,440**	**4,773,440**	**–**	**–**
Derivative financial instruments	FVTPL	FVTPL	**8,751,383**	**8,751,383**	**–**	**–**
Bills and acceptances payable	Amortised cost	Amortised cost	**3,177,182**	**3,177,182**	**–**	**–**
Other liabilities	Amortised cost	Amortised cost	**17,789,579**	**18,250,909**	**1,717**	**1,717**
Recourse obligation on loans and financing sold to Cagamas	Amortised cost	Amortised cost	**5,195,248**	**5,195,248**	**–**	**–**
Bonds, Sukuk and debentures	Amortised cost	Amortised cost	**14,895,625**	**14,895,625**	**–**	**–**
Other borrowings	Amortised cost	Amortised cost	**10,057,295**	**10,057,295**	**3,553,113**	**3,553,113**
Subordinated obligations	Amortised cost	Amortised cost	**12,532,965**	**12,532,965**	**6,904,556**	**6,904,556**

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60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(ii) Reconciliation of the carrying amount in the Group's and the Company's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018:

		The Group				
			Effects of adopting MFRS 9			
	Note	Audited as at 31 December 2017 RM'000	Remeasure-ment RM'000	Reclassifi-cation RM'000	Total RM'000	Adjusted 1 January 2018 RM'000
Assets						
Cash and short-term funds	(a)	41,667,884	(41)	–	(41)	41,667,843
Reverse repurchase agreements	(b)	6,484,687	(13,680)	–	(13,680)	6,471,007
Deposits and placements with banks and other financial institutions	(c)	4,055,330	(1,607)	–	(1,607)	4,053,723
Financial assets at fair value through profit or loss	(d)	–	(13,786)	23,748,378	23,734,592	23,734,592
Debt instruments at fair value through other comprehensive income	(e)	–	9,455	30,005,089	30,014,544	30,014,544
Equity instruments at fair value through other comprehensive income	(f)	–	–	725,550	725,550	725,550
Debt instruments at amortised cost	(g)	–	2,871	36,503,396	36,506,267	36,506,267
Financial assets held for trading	(h)	21,657,212	–	(21,657,212)	(21,657,212)	–
Derivative financial instruments		8,447,957	–	–	–	8,447,957
Financial investments available-for-sale	(i)	32,403,986	–	(32,403,986)	(32,403,986)	–
Financial investments held-to-maturity	(j)	36,921,215	–	(36,921,215)	(36,921,215)	–
Loans, advances and financing	(k)	316,557,012	(2,181,435)	–	(2,181,435)	314,375,577
Other assets		12,147,332	–	–	–	12,147,332
Tax recoverable		129,072	–	–	–	129,072
Deferred tax assets	(l)	386,850	325,936	144,835	470,771	857,621
Statutory deposits with central banks		8,630,454	–	–	–	8,630,454
Investment in associates and joint ventures		259,930	–	–	–	259,930
Property, plant and equipment		1,991,646	–	–	–	1,991,646
Prepaid lease payments		101,913	–	–	–	101,913
Goodwill		8,225,745	–	–	–	8,225,745
Intangible assets		1,820,369	–	–	–	1,820,369
		501,888,594	(1,872,287)	144,835	(1,727,452)	500,161,142
Non-current assets held for sale		4,610,938	–	–	–	4,610,938
TOTAL ASSETS		506,499,532	(1,872,287)	144,835	(1,727,452)	504,772,080

60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(ii) Reconciliation of the carrying amount in the Group's and the Company's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

		The Group				
			Effects of adopting MFRS 9			
	Note	Audited as at 31 December 2017 RM'000	Remeasure-ment RM'000	Reclassifi-cation RM'000	Total RM'000	Adjusted 1 January 2018 RM'000
Liabilities						
Deposits from customers		348,518,277	–	–	–	348,518,277
Investment accounts of customers		907,763	–	–	–	907,763
Deposits and placements of banks and other financial institutions		19,751,576	–	–	–	19,751,576
Repurchase agreements		6,122,273	–	–	–	6,122,273
Financial liabilities designated at fair value through profit or loss		4,773,440	–	–	–	4,773,440
Derivative financial instruments		8,751,383	–	–	–	8,751,383
Bills and acceptances payable		3,177,182	–	–	–	3,177,182
Other liabilities	(m)	17,789,579	461,330	–	461,330	18,250,909
Recourse obligation on loans and financing sold to Cagamas		5,195,248	–	–	–	5,195,248
Provision for taxation	(n)	507,940	(296,620)	–	(296,620)	211,320
Deferred tax liabilities		80,943	–	–	–	80,943
Bonds, sukuk and debentures		14,895,625	–	–	–	14,895,625
Other borrowings		10,057,295	–	–	–	10,057,295
Subordinated obligations		12,532,965	–	–	–	12,532,965
		453,061,489	164,710	–	164,710	453,226,199
Non-current liabilities held for sale		3,631,608	–		–	3,631,608
Total liabilities		456,693,097	164,710	–	164,710	456,857,807
Equity						
Ordinary share capital		22,183,226	–	–	–	22,183,226
Reserves	(o)-(u)	26,062,859	(1,959,275)	144,835	(1,814,440)	24,248,419
Less: Shares held under trust		(563)	–	–	–	(563)
Treasury shares, at cost		(43)	–	–	–	(43)
		48,245,479	(1,959,275)	144,835	(1,814,440)	46,431,039
Perpetual preference shares		200,000	–	–	–	200,000
Non-controlling interests	(v)	1,360,956	(77,722)	–	(77,722)	1,283,234
TOTAL EQUITY		49,806,435	(2,036,997)	144,835	(1,892,162)	47,914,273
TOTAL EQUITY AND LIABILITIES		506,499,532	(1,872,287)	144,835	(1,727,452)	504,772,080

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60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(ii) Reconciliation of the carrying amount in the Group's and the Company's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

		The Company				
			Effects of adopting MFRS 9			
	Note	Audited as at 31 December 2017 RM'000	Remeasure-ment RM'000	Reclassifi-cation RM'000	Total RM'000	Adjusted 1 January 2018 RM'000
Assets						
Cash and short-term funds	(a)	182,809	–	–	–	182,809
Debt instruments at fair value through other comprehensive income	(e)	–	–	1,433,024	1,433,024	1,433,024
Debt instruments at amortised cost	(g)	–	(26,554)	3,518,264	3,491,710	3,491,710
Financial investments available-for-sale	(i)	1,433,024	–	(1,433,024)	(1,433,024)	–
Financial investments held-to-maturity	(k)	3,518,264	–	(3,518,264)	(3,518,264)	–
Other assets		42,195	–	–	–	42,195
Tax recoverable		109,243	–	–	–	109,243
Investment in subsidiaries		27,052,448	–	–	–	27,052,448
Investment in associates and joint ventures		3,834	–	–	–	3,834
Property, plant and equipment		1,117	–	–	–	1,117
Investment properties		417	–	–	–	417
		32,343,351	(26,554)	–	(26,554)	32,316,797
Non-current assets held for sale		1,038,859	–	–	–	1,038,859
TOTAL ASSETS		33,382,210	(26,554)	–	(26,554)	33,355,656
Liabilities						
Other liabilities	(m)	1,717	–	–	–	1,717
Deferred tax liabilities		361	–	–	–	361
Other borrowings		3,553,113	–	–	–	3,553,113
Subordinated obligations		6,904,556	–	–	–	6,904,556
TOTAL LIABILITIES		10,459,747	–	–	–	10,459,747
Equity						
Ordinary share capital		22,183,226	–	–	–	22,183,226
Reserves	(o)-(u)	739,280	(26,554)	–	(26,554)	712,726
Less: Treasury shares, at cost		(43)	–	–	–	(43)
TOTAL EQUITY		22,922,463	(26,554)	–	(26,554)	22,895,909
TOTAL EQUITY AND LIABILITIES		33,382,210	(26,554)	–	(26,554)	33,355,656

60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(iii) Impact on the Group's and the Company's Statement of Changes in Equity as at 31 December 2017 and 1 January 2018:

The Group

	Audited as at 31 December 2017 RM'000	Effects of adopting MFRS 9 Remeasurement RM'000	Effects of adopting MFRS 9 Reclassification RM'000	Effects of adopting MFRS 9 Total RM'000	Adjusted 1 January 2018 RM'000
Retained earnings	24,683,941	(1,729,928)	673,562	(1,056,366)	23,627,575
Revaluation reserve					
– financial investment available-for-sale	499,476	26,039	(525,515)	(499,476)	–
Fair value reserves					
– Debt instruments at fair value through other comprehensive income	–	33,411	(106,325)	(72,914)	(72,914)
– Equity instruments at fair value through other comprehensive income	–	(301,151)	103,113	(198,038)	(198,038)
Regulatory reserve	1,502,520	16,511	–	16,511	1,519,031
Other reserves	(1,374,602)	(4,157)	–	(4,157)	(1,378,759)
– Hedging reserve – net investment hedge	(1,190,339)	–	–	–	(1,190,339)
– Hedging reserve – cash flow hedge	(205)	–	–	–	(205)
– Hedging reserve – deferred hedging cost	–	55	–	55	55
– Own credit risk reserve	–	(4,212)	–	(4,212)	(4,212)
– EOP reserve – shares purchased pending release	(96,349)	–	–	–	(96,349)
– Defined benefits reserves	(87,709)	–	–	–	(87,709)
Non-controlling interests	1,360,956	(77,722)	–	(77,722)	1,283,234
	26,672,291	(2,036,997)	144,835	(1,892,162)	24,780,129

The Company

	Audited as at 31 December 2017 RM'000	Effects of adopting MFRS 9 Remeasurement RM'000	Effects of adopting MFRS 9 Reclassification RM'000	Effects of adopting MFRS 9 Total RM'000	Adjusted 1 January 2018 RM'000
Retained earnings	656,679	(37,130)	–	(37,130)	619,549
Revaluation reserve					
– financial investment available-for-sale	26,619	–	(26,619)	(26,619)	–
Fair value reserve – debt instruments at fair value through other comprehensive income	–	10,576	26,619	37,195	37,195
	683,298	(26,554)	–	(26,554)	656,744

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60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 January 2018:

	Impact of adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	**The Company RM'000**
(a) Cash and short-term funds		
Closing balance under MFRS 139 as at 31 December 2017	**41,667,884**	**182,809**
– recognition of expected credit losses under MFRS 9	**(41)**	**–**
Opening balance under MFRS 9 as at 1 January 2018	**41,667,843**	**182,809**
(b) Reverse repurchase agreements		
Closing balance under MFRS 139 as at 31 December 2017 – At amortised cost	**6,484,687**	**–**
– reclassification to reverse repurchase agreements at fair value through profit or loss	**(507,562)**	**–**
Opening balance under MFRS 9 as at 1 January 2018	**5,977,125**	**–**
Closing balance under MFRS 139 as at 31 December 2017 – At fair value through profit or loss	**–**	**–**
– reclassification from reverse repurchase agreements at amortised cost	**507,562**	**–**
– unrealised loss on reverse repurchase agreements at fair value through profit or loss	**(13,680)**	**–**
Opening balance under MFRS 9 as at 1 January 2018	**493,882**	**–**
Total reverse repurchase agreements under MFRS 9 as at 1 January 2018	**6,471,007**	**–**
(c) Deposits and placements with banks and other financial institutions		
Closing balance under MFRS 139 as at 31 December 2017	**4,055,330**	**–**
– recognition of expected credit losses under MFRS 9	**(1,607)**	**–**
Opening balance under MFRS 9 as at 1 January 2018	**4,053,723**	**–**
(d) Financial assets at fair value through profit or loss		
Closing balance under MFRS 139 as at 31 December 2017	**–**	**–**
– reclassification from financial assets held for trading	**21,650,153**	**–**
– reclassification from financial investments available-for-sale	**1,558,115**	**–**
– reclassification from financial investments held-to-maturity	**540,110**	**–**
– unrealised loss on financial assets at fair value through profit or loss	**(13,786)**	**–**
Opening balance under MFRS 9 as at 1 January 2018	**23,734,592**	**–**
(e) Debt instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	**–**	**–**
– reclassification from financial investments available-for-sale	**29,201,994**	**1,433,024**
– reclassification from financial investments held-to-maturity	**803,095**	**–**
– unrealised gain on debt instruments at fair value through other comprehensive income	**9,455**	**–**
Opening balance under MFRS 9 as at 1 January 2018	**30,014,544**	**1,433,024**
(f) Equity instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	**–**	**–**
– reclassification from financial investments available-for-sale	**725,550**	**–**
– reversal of MFRS 139 impairment loss for equity instruments at fair value through other comprehensive income	**313,150**	**–**
– unrealised loss on equity instruments at fair value through other comprehensive income	**(313,150)**	**–**
Opening balance under MFRS 9 as at 1 January 2018	**725,550**	**–**

60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Impact of adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	**The Company RM'000**
(g) Debt instruments at amortised cost		
Closing balance under MFRS 139 as at 31 December 2017	–	–
– reclassification from financial investments held-to-maturity	35,578,010	3,518,264
– reclassification from financial investments available-for-sale	918,327	–
– reclassification from financial assets held for trading	7,059	–
– remeasurement of debt instruments at amortised cost	23,802	–
– recognition of expected credit losses under MFRS 9	(20,931)	(26,554)
Opening balance under MFRS 9 as at 1 January 2018	36,506,267	3,491,710
(h) Financial assets held for trading		
Closing balance under MFRS 139 as at 31 December 2017	21,657,212	–
– reclassification to financial assets at fair value through profit or loss	(21,650,153)	–
– reclassification to debt instruments at amortised cost	(7,059)	–
Opening balance under MFRS 9 as at 1 January 2018	–	–
(i) Financial investments available-for-sale		
Closing balance under MFRS 139 as at 31 December 2017	32,403,986	1,433,024
– reclassification to debt instruments at fair value through other comprehensive income	(29,201,994)	(1,433,024)
– reclassification to financial assets at fair value through profit or loss	(1,558,115)	–
– reclassification to debt instruments at amortised cost	(918,327)	–
– reclassification to equity instruments at fair value through other comprehensive income	(725,550)	–
Opening balance under MFRS 9 as at 1 January 2018	–	–
(j) Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 31 December 2017	36,921,215	3,518,264
– reclassification to debt instruments at amortised cost	(35,578,010)	(3,518,264)
– reclassification to debt instruments at fair value through other comprehensive income	(803,095)	–
– reclassification to financial assets at fair value through profit or loss	(540,110)	–
Opening balance under MFRS 9 as at 1 January 2018	–	–
(k) Loans, advances and financing		
Closing balance under MFRS 139 as at 31 December 2017 – At amortised cost	316,557,012	–
– reclassification to loans, advances and financing at fair value through profit or loss	(1,134,938)	
– recognition of expected credit losses under MFRS 9	(2,181,435)	–
Opening balance under MFRS 9 as at 1 January 2018	313,240,639	–
Closing balance under MFRS 139 as at 31 December 2017 – At fair value through profit or loss	–	–
– reclassification from loans, advances and financing at amortised cost	1,134,938	–
Opening balance under MFRS 9 as at 1 January 2018	1,134,938	–
Total loans, advances and financing under MFRS 9 as at 1 January 2018	314,375,577	–

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60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Impact of adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	**The Company RM'000**
(l) Deferred tax assets		
Closing balance under MFRS 139 as at 31 December 2017	386,850	–
– Tax effect arising from MFRS 9	470,771	–
Opening balance under MFRS 9 as at 1 January 2018	857,621	–
(m) Other liabilities		
Closing balance under MFRS 139 as at 31 December 2017	17,789,579	1,717
– recognition of expected credit losses under MFRS 9	461,330	–
Opening balance under MFRS 9 as at 1 January 2018	18,250,909	1,717
(n) Provision for taxation		
Closing balance under MFRS 139 as at 31 December 2017	507,940	–
– Tax effect arising from MFRS 9	(296,620)	–
Opening balance under MFRS 9 as at 1 January 2018	211,320	–
(o) Retained earnings		
Closing balance under MFRS 139 as at 31 December 2017	24,683,941	656,679
– Transfer to regulatory reserve*	(16,511)	–
– Reversal of MFRS 139 impairment loss for equity instruments at fair value through other comprehensive income	313,150	–
– Transfer from revaluation reserve – financial investment available-for-sale	673,562	–
– Unrealised loss on financial assets at fair value through profit or loss	(13,786)	–
– Remeasurement of debt instruments at amortised cost	20	–
– Unrealised loss on reverse repurchase agreements at fair value through profit or loss	(13,680)	–
– Non-controlling interests' share of impact arising from remeasurement under MFRS 9	74,538	–
– Recognition of expected credit losses under MFRS 9	(2,689,973)	(37,130)
– Tax effect arising from MFRS 9	612,157	–
– Transfer to cost of hedging reserve	(55)	–
– Transfer from own credit risk reserve	4,212	–
Opening balance under MFRS 9 as at 1 January 2018	23,627,575	619,549
(p) Revaluation reserve – financial investment available-for-sale		
Closing balance under MFRS 139 as at 31 December 2017	499,476	26,619
– Transfer to retained profits	(673,562)	–
– Revaluation loss transfer to fair value reserve – debt instruments at fair value through other comprehensive income	147,543	(26,619)
– Transfer to fair value reserve – equity instruments at fair value through other comprehensive income	(126,129)	–
– Non-controlling interests' share of impact arising from remeasurement under MFRS 9	2,254	–
– Remeasurement of debts at amortised cost	23,782	–
– Tax effect arising from MFRS 9	126,636	–
Opening balance under MFRS 9 as at 1 January 2018	–	–

60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Impact of adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	The Company RM'000
(q) Fair value reserves – Debt instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	–	–
– Revaluation loss transfer from revaluation reserve – financial investment available-for-sale	(147,543)	26,619
– Unrealised gain on debt instruments at fair value through other comprehensive income	9,455	–
– Recognition of expected credit losses under MFRS 9	24,629	10,576
– Non-controlling interests' share of impact arising from remeasurement under MFRS 9	(673)	–
– Tax effect arising from MFRS 9	41,218	–
Opening balance under MFRS 9 as at 1 January 2018	(72,914)	37,195
(r) Fair value reserves – Equity instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	–	–
– Transfer from revaluation reserve – financial investment available-for-sale	126,129	–
– Unrealised loss on equity instruments at fair value through other comprehensive income	(313,150)	–
– Non-controlling interests' share of impact arising from remeasurement under MFRS 9	1,603	–
– Tax effect arising from MFRS 9	(12,620)	–
Opening balance under MFRS 9 as at 1 January 2018	(198,038)	–
(s) Other reserves – Own credit risk reserve		
Closing balance under MFRS 139 as at 31 December 2017	–	–
– Transfer from retained earnings	(4,212)	–
Opening balance under MFRS 9 as at 1 January 2018	(4,212)	–
(t) Other reserves – Cost of hedging reserve		
Closing balance under MFRS 139 as at 31 December 2017	–	–
– Transfer from retained earnings	55	–
Opening balance under MFRS 9 as at 1 January 2018	55	–
(u) Regulatory reserve		
Closing balance under MFRS 139 as at 31 December 2017	1,502,520	–
– Transfer from retained earnings	16,511	–
Opening balance under MFRS 9 as at 1 January 2018	1,519,031	–
(v) Non-controlling interests		
Closing balance under MFRS 139 as at 31 December 2017	1,360,956	–
– Non-controlling interests' share of impact arising from remeasurement under MFRS 9	(77,722)	–
Opening balance under MFRS 9 as at 1 January 2018	1,283,234	–

* *In accordance with BNM guideline issued on 2 February 2018*

Notes to the Financial Statements
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60 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(v) The following table reconciles the opening expected credit losses for the Group and the Company in accordance with MFRS 9 as at 1 January 2018:

The Group	MFRS 139/ MFRS 137 balance as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 January 2018 RM'000
Impairment allowance on:				
Loans, advances and financing – at amortised cost	7,747,579	–	2,181,435	9,929,014
Cash and short term funds	–	–	41	41
Deposits and placement with Bank and other financial institutions	–	–	1,607	1,607
Financial investments available-for-sale (MFRS139)/Financial instruments at FVOCI (MFRS 9)	573,328	(433,718)	24,629	164,239
Financial investments held-to-maturity (MFRS139)/Debt instruments at amortised cost (MFRS 9)	12,300	–	20,931	33,231
Loans commitments and financial guarantees	49,095	–	461,330	510,425
Total	**8,382,302**	**(433,718)**	**2,689,973**	**10,638,557**

The Company	MFRS 139/ MFRS 137 balance as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 January 2018 RM'000
Impairment allowance on:				
Financial investments available-for-sale (MFRS139)/Financial instruments at FVOCI (MFRS 9)	–	–	10,576	10,576
Financial investments held-to-maturity (MFRS139)/Debt instruments at amortised cost (MFRS 9)	–	–	26,554	26,554
Total	**–**	**–**	**37,130**	**37,130**

61 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

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

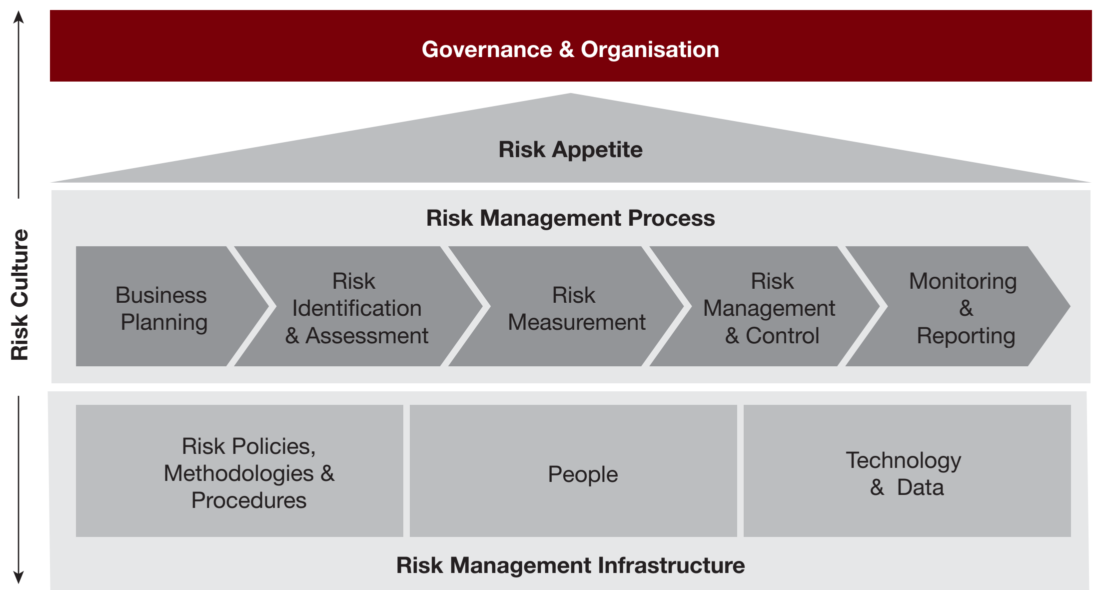
Generally, the objectives of the Group's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholders' value through sound risk management framework.

(b) Enterprise Wide Risk Management Framework (EWRM)

The Group employs an EWRM framework as a standardised approach to effectively manage its risks and opportunities. The EWRM framework provides the Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, external environment and/or regulatory environment.

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



61 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The key features of the EWRM framework include:

(i) Risk Culture

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

(ii) Governance & Organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Group's EWRM framework. The Board is ultimately responsible for the Group's strategic directions, which is supported by the risk appetite and risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.

(iii) Risk Appetite

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

(iv) Risk Management Process

- Business Planning: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/new business activities.

- Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Group's risk policies, methodologies/standards and procedures/process guides.

- Risk Measurement: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.

- Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.

- Risk Monitoring and Reporting: Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

(v) Risk Management Infrastructure

- Risk Policies, Methodologies and Procedures/Process Guides: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures/ Process Guides provide more detailed guidance to assist with the implementation of policies.

- People: Attracting the right talent and skillset are key to ensuring a well-functioning EWRM Framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.

- Technology and Data: Appropriate technology and sound data management support risk management activities.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance

At the apex of the governance structure are the respective boards of entities within the Group, which decides on the entity's Risk Appetite corresponding to its business strategies. Each Board Risk and Compliance Committee (BRCC) reports directly into the respective boards and assumes responsibility on behalf of the respective boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. The BRCC also oversees the implementation of the EWRM framework, provides strategic guidance and reviews the decisions of Group Risk and Compliance Committee (GRCC).

To facilitate the effective implementation of the EWRM framework, BRCC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of the supervising risk management functions is delegated to GRCC, comprised of senior management of the Group and reports directly to BRCC. GRCC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. GRCC is supported by specialised risk committees, namely Group Credit Committee (GCC), Group Market Risk Committee (GMRC), Group Operational Risk Committee, Group Asset Liability Management Committee (GALMC) and Group Asset Quality Committee, each addressing one or more of the following:

(i) Market risk, arising from fluctuations in the market value of the trading or investment exposure arising from movements in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(ii) Credit risk, arising from the possibility of losses due to an obligor or market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;

(iii) Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;

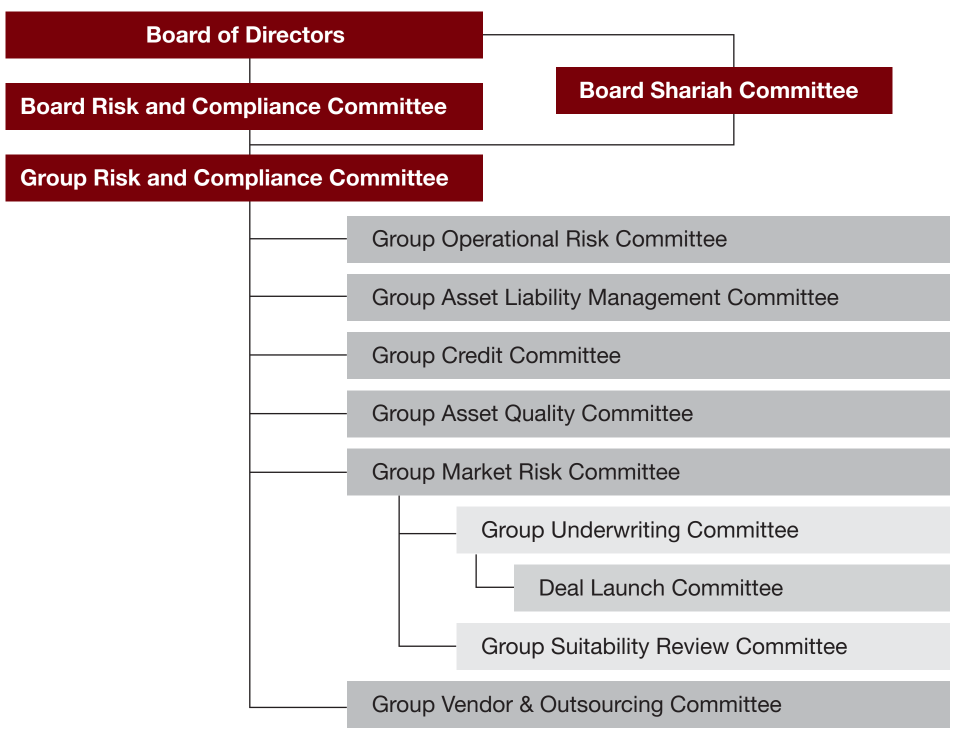
(iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in interest rates/rate of return;

(vi) Capital risk, arising from the failure to meet the minimum regulatory and internal requirements which could incur regulatory sanction on the Group, thereby resulting in a potential capital charge; and

(vii) Shariah Non Compliance (SNC) risk, arising from possible failure to comply with the Shariah requirements as determined by Shariah Advisory Council (SAC) of BNM and Securities Commission (SC), the Board Shariah Committee (BSC) of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

The structure of CIMB Group Risk Committees is depicted in the following chart:



61 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the Group and regional committees have consultative and advisory responsibilities on regional matters across the Group as regulators allow. This structure increases regional communication regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus providing the Board with a comprehensive view of the activities within the Group.

Three-Lines of Defence

The Group's risk management culture is embodied through the adoption of the Three-Lines of Defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, the line management (including key business pillars and enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight and performs independent monitoring of business activities and reporting to management to ensure that the Group conducts business and operates within the approved appetite, and is also in compliance with regulations. The third line of defence is Group Internal Audit Division which provides independent assurance on the adequacy and effectiveness of the internal controls and risk management process.

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

Within the second line of defence is Group Risk, a function independent of business units. It assists the Group's management and and stakeholders in the monitoring and controlling risk exposures within the Board-approved risk appetite statement.

Group Risk is headed by the Group CRO, appointed by the Board to lead the Group-wide risk management functions including implementation of the EWRM framework. The Group CRO:

(i) actively engages the Board and senior management on risk management issues and initiatives; and

(ii) maintains an oversight on risk management functions across all entities within the Group. In each key country of operation, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and regulators in the respective countries.

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers ("CRO") and the Risk Centres of Excellence ("CoE"):

(i) CRO

- CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.
- The CRO is supported by the CRO International Offices, who oversee the risk management functions of the regional offices e.g. branches and small overseas banking subsidiaries.
- For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

(ii) Risk Centres of Excellence

- These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
- The Risk CoEs consist of Risk Analytics & Infrastructure, Market Risk, Operational Risk (including Shariah Risk Management), Asset Liability Management and Credit Risk CoEs.

  (1) Risk Analytics & Infrastructure CoE

  Risk Analytics & Infrastructure CoE designs frameworks, validates credit risk models and tools and implements standardised infrastructure for risk management across the Group.

  (2) Market Risk CoE

  The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value at Risk and market risk capital as well as performing stress testing.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk (Continued)

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers ("CRO") and the Risk Centres of Excellence ("CoE") (Continued):

(ii) Risk Centres of Excellence (Continued)

(3) Operational Risk CoE

The Operational Risk CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to identity, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line of defence's execution of the operational risk framework and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

In October 2018, the Shariah Risk Management ("SRM") CoE has been integrated with the Operational Risk CoE. The SRM unit facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

(4) Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and interest rate/rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

(5) Credit Risk CoE

The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies/standards and procedures/process guide; credit risk models; underwriting; and portfolio analytics.

In addition to the above Risk CoEs, there is also Group Data Governance CoE within Group Risk that formulates the Data Governance and Data Management framework, policy and procedures. It ensures standardisation and consistency of data governance and data management structure, methodology and data governance model across the Group and for country adoption.

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without risk management department, all risk management activities are centralised at relevant Risk CoEs. Otherwise, the risk management activities are performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

Strategies and Processes for Various Risk Management

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book are available in the later sections.

61.1 Credit risk

Credit risk is defined as the possibility of losses due to an obligor or market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance, as well as commitments to support customer's obligation to third parties, e.g. guarantees or kafalah contracts.

In derivatives, sales and trading activities, credit risk arises from the possibility that our Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

Credit Risk Management

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, the Group implemented the risk-based delegated authority framework. This framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with Group Risk as a function independent from the business units as the second line of defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units officers are delegated with credit approving authority to approve low valued credit facilities. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and relevant credit committees.

The GRCC with the support of Group Credit Committee (GCC), Group Asset Quality Committee, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes the reviewing and analysing of portfolio trends, asset quality, watch-list and policy. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with country sector limit, single customer and global counterparty limits are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. For retail products, portfolio limits are monitored monthly by Group Risk.

It is the Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

Credit Risk Mitigation

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and is considered secondary recourse to the obligor for the credit risk underwritten.

(i) Collaterals/Securities

All extension of secured credit facilities as deemed prudent, must be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's Capital Adequacy Framework (CAF) (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

(ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

(iii) Netting

In mitigating the credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout and settlement netting arrangements with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

(iv) Portfolio diversification for better clarity

The Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

Credit Risk Measurement

The measurement of expected credit loss allowance under the MFRS9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk ('SICR')

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

Retail

A retail loan, advances and financing is perceived to have experienced significant increase in credit risk when the asset meets one of the following criteria:

- Past due for more than 1 month on its contractual payment;
- Modified under Agensi Kaunseling dan Pengurusan Kredit (AKPK) scheme and subject to monitoring period;
- Margin call commenced (applicable to share margin financing only).

Non-retail

The stage allocation will be performed at borrower level. A borrower is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Borrower on watchlist and exhibits weaknesses which, if uncorrected, will potentially become a non-performing account in the next 12 months;
- Past due for more than 1 month on its contractual payment.

Treasury

A debt instrument is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Borrower on watchlist and exhibits weaknesses which will potentially become a non-performing account in the next 12 months;
- Margin call or forse selling trigger not regularalised within the stipulated period (applicable to option premium financing only).

The Group has not used the low credit risk exemption for any financial instruments at 1 January 2018 and for the year ended 31 December 2018. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the management.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are: (Continued)

(ii) Definition of credit impaired

Loans, advances and financing

The Group classified a loan, advances and financing as impaired when it meets one or more of the following criteria:

- The principal or interest or both of the loan is past due for more than 3 months. In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 3 months. For the purpose of ascertaining the period in arrears:
  - (1) Repayment on each of the instalment amount must be made in full. A partial repayment made on an instalment amount shall be deemed to be in arrears.
  - (2) Where a moratorium on loan repayment is granted in relation to the rescheduling and restructuring, the determination of period in arrears shall exclude the moratorium period granted. The moratorium shall be for a period of not more than 6 months from the date of the obligor's/counterparty's application for the moratorium.
  - (3) Where repayments are scheduled on interval of 3 months or longer, the loan is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the credit risk grading framework.
- Any financing that exhibits weaknesses in accordance with the Group's internal credit risk rating of 14 and above shall be classified as impaired upon approval by the relevant approving authority.
- The loan is forced impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor etc. In the event where a loan is not in default or past due but force impaired, the loan shall be classified as impaired upon approval by Group Asset Quality Committee.
- Restructuring and rescheduling of a loan facility involves any modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of a obligor/counterparty.
- When an obligor/counterparty has multiple loans with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- The loan is classified as rescheduled and restructured in CCRIS.

Bonds and other debt instruments measured at amortised cost or FVOCI

The financial instruments are classified as impaired when it meets one or more of the following criteria:

- Bond that have an internal rating of 14 and above shall be classified as impaired upon approval by relevant approval authority. Impaired credits must be graded/classified with the appropriate regulatory financing grading(s).
- Bonds which are force impaired and approved by Group Asset Quality Committee will be subject to individual impairment assessment.
- When an obligor/counterparty has multiple loans/bonds with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, an assessment of provision needs to be performed on individual loan/bond level instead of consolidated obligor/counterparty level.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are: (Continued)

(iii) Definition of default

Loans, advances and financing

The Group defines a financial instrument as in default when it meets one or more of the following criteria:

- Credit-impaired;
- Restructured accounts by by AKPK scheme;
- Write-off/charged-off accounts;
- Repossessed accounts (applicable for hire purchase receivables only);
- Force disposed accounts (applicable for non-voluntary ASB loans, advances and financing only).

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations for loans, advances and financing.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Bonds and other debt instruments measured at amortised cost or FVOCI

The default criteria is fully aligned with external rating agency's default definition as the Group has chosen to benchmark external data for modelling purposes:

- Failure to make principal and/or interest/profit payment under the contractual terms, which is not remedied within the grace period.
- Bankruptcy filings, administration, receivership, liquidation, winding-up or cessation of business of issuer/obligor.
- Failure to honor corporate-guarantee obligations provided to subsidiaries.
- Distressed exchange offer (e.g. extended maturities, lower coupons and etc.).
- Change in payment terms of a credit arrangement or indenture imposed by the sovereign that results in a diminished financial obligation.

(iv) Measuring ECL - inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or Lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD. The Lifetime PD is developed using forecasted MEV with the application of survival probabilities up to maturity of the loan facility.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are: (Continued)

(iv) Measuring ECL - inputs, assumptions and estimation techniques (Continued)

Exposure at Default

EAD is the total amount that the Group is exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default.

Loss Given Default

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(v) Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Group has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables are sourced from Group's Economics team and external research house.

At 1 January 2018 and 31 December 2018, the Group concluded that three scenarios appropriately captured non-linearities. The other possible scenarios and scenario weightings are determined by a combination of statistical analysis and expert credit judgement.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

The Group and the Company have also identified the key economic variables and carried out sensitivity assessment of ECL for loans, advances and financing in relation to the changes in these key economic variables whilst keeping other variables unchanged. The sensitivity factors used are derived based on expected standard deviation determined for each key economic variables to assess the impact on the ECL of the Group and the Company.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are: (Continued)

(vi) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk and Modeling team.

Write off policy

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

The Group may write-off loan or debt instrument that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2018 was RM2,125 million.

Modification of loans

The Group and the Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group and the Company assess whether or not the new terms are substantially different to the original terms. The Group and the Company do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significant affect the credit risk associated with the loan.

The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loans. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

(i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annexes, International Swaps and Derivatives Association Agreement (CSA) with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

(ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2018 and 31 December 2017 there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

61.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Company would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

	The Group Maximum exposure	
	2018 RM'000	**2017 RM'000**
Financial guarantees	**7,485,834**	9,609,108
Credit related commitments and contingencies	**73,692,696**	87,690,118
	81,178,530	97,299,226

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group is 64% (2017: 74%) while the financial effect of collateral for derivatives for the Group is 68% (2017: 60%). The financial effect of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 31 December 2018 for the Group is 71%.

Notes to the Financial Statements
for the financial year ended 31 December 2018

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.2 Offsetting financial assets and financial liabilities

(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements – by type

	The Group					
	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Net amounts of financial assets RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Related amounts not set off in the statement of financial position: Financial collateral received RM'000	Net amount RM'000
Financial assets						
2018						
Derivatives	**8,634,633**	**–**	**8,634,633**	**(4,738,264)**	**(664,179)**	**3,232,190**
Reverse repurchase agreements	**11,276,089**	**–**	**11,276,089**	**(545,950)**	**(10,496,213)**	**233,926**
Loans, advances and financing						
– Share margin financing	**715,119**	**–**	**715,119**	**–**	**(714,957)**	**162**
Total	**20,625,841**	**–**	**20,625,841**	**(5,284,214)**	**(11,875,349)**	**3,466,278**
2017						
Derivatives	8,447,957	–	8,447,957	(4,261,243)	(612,255)	3,574,459
Reverse repurchase agreements	6,484,687	–	6,484,687	(506,656)	(5,902,331)	75,700
Loans, advances and financing						
– Share margin financing	888,736	–	888,736	–	(885,034)	3,702
Total	15,821,380	–	15,821,380	(4,767,899)	(7,399,620)	3,653,861

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements – by type

	The Group					
	Gross amount of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets in the statement of financial position RM'000	Net amounts of financial liabilities RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Related amounts not set off in the statement of financial position: Financial collateral pledged RM'000	Net amount RM'000
Financial liabilities						
2018						
Derivatives	**8,407,981**	**–**	**8,407,981**	**(4,318,739)**	**(1,368,604)**	**2,720,638**
Repurchase agreements	**14,279,476**	**–**	**14,279,476**	**(14,264,752)**	**–**	**14,724**
Total	**22,687,457**	**–**	**22,687,457**	**(18,583,491)**	**(1,368,604)**	**2,735,362**
2017						
Derivatives	8,751,383	–	8,751,383	(4,277,422)	(508,094)	4,015,867
Repurchase agreements	6,122,273	–	6,122,273	(6,109,256)	–	13,017
Total	14,873,656	–	14,873,656	10,336,678	(508,094)	4,028,884

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.3 Concentration of risks of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2018 and 31 December 2017 are as follows:

The Group 2018	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
Cash and short-term funds	21,243,522	3,147,515	58,073	480,135	2,179,663	960,730	344,493	583,589	2,027,209	31,024,929
Reverse repurchase agreements	4,186,371	174,845	128,336	2,007,518	108,707	296,712	15,159	97,912	4,260,529	11,276,089
Deposits and placements with banks and other financial institutions	2,188,777	1,544,502	-	167	-	-	-	292,677	347,695	4,373,818
Financial assets at fair value through profit or loss	14,635,926	563,919	3,220,768	4,472,497	69,515	54,288	1,101,957	586,617	3,146,217	27,851,704
Debt instruments at fair value through other comprehensive income	15,817,354	5,732,238	6,517,002	1,817,447	-	237,995	1,061,879	631,448	460,941	32,276,304
Debt instruments at amortised cost	29,518,350	2,803,893	2,566,442	4,224,151	-	-	82,544	-	73,822	39,269,202
Derivative financial instruments	2,544,285	556,881	2,673,111	857,363	4,288	938,261	343,348	11	717,085	8,634,633
Loans, advances and financing	204,465,373	54,756,145	29,556,805	29,078,776	145,951	4,839,542	2,264,491	3,766,869	8,274,316	337,148,268
Other assets	4,831,064	1,334,589	754,268	514,618	227,488	232,112	203,467	153	1,111,317	9,209,076
Financial guarantees	4,164,434	1,058,291	337,596	1,203,723	4,838	57,513	98,768	2,590	558,081	7,485,834
Credit related commitments and contingencies	58,473,400	6,191,619	1,788,854	3,561,769	20,039	858,453	575,073	652,817	1,570,672	73,692,696
Total credit exposures	362,068,856	77,864,437	47,601,255	48,218,164	2,760,489	8,475,606	6,091,179	6,614,683	22,547,884	582,242,553

The Group 2017	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
Cash and short-term funds	26,768,352	3,548,480	203,023	618,807	3,093,765	1,007,115	277,574	276,101	2,036,154	37,829,371
Reverse repurchase agreements	2,095,743	933	1,484,655	923,600	39,046	349,334	85,809	76,947	1,428,620	6,484,687
Deposits and placements with banks and other financial institutions	940,084	2,418,394	–	234	–	164,585	–	331,343	200,690	4,055,330
Financial assets held for trading	9,662,113	1,350,700	1,349,163	4,413,625	84,040	534,142	547,288	397,974	1,805,259	20,144,304
Financial investments available-for-sale	15,109,556	7,798,972	2,668,424	2,226,509	10,292	456,304	1,336,513	413,265	890,718	30,910,553
Financial investments held-to-maturity	28,456,408	2,193,354	1,705,420	4,438,946	–	–	79,709	–	47,378	36,921,215
Derivative financial instruments	2,834,577	235,286	2,438,362	963,199	1,704	897,172	566,921	–	510,736	8,447,957
Loans, advances and financing	186,875,907	56,915,412	28,625,602	26,269,938	238,374	3,786,145	2,294,923	4,878,343	6,672,368	316,557,012
Other assets	7,648,576	65,499	481,102	767,720	215,067	319,176	168,725	257	965,709	10,631,831
Financial guarantees	2,504,695	979,371	407,683	4,101,084	60,111	91,446	251,976	36,994	1,175,748	9,609,108
Credit related commitments and contingencies	74,919,550	5,487,805	1,434,205	1,548,973	1,454	645,828	737,892	707,985	2,206,426	87,690,118
Total credit exposures	357,815,561	80,994,206	40,797,639	46,272,635	3,743,853	8,251,247	6,347,330	7,119,209	17,939,806	569,281,486

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2018 and 31 December 2017 are as follows (Continued):

The Company 2018	Malaysia RM'000	Indonesia RM'000	Hong Kong RM'000	Total RM'000
Cash and short-term funds	**197,546**	**2**	**–**	**197,548**
Debt instruments at fair value through other comprehensive income	**2,467,071**	**–**	**–**	**2,467,071**
Debt instruments at amortised cost	**5,397,933**	**–**	**–**	**5,397,933**
Other assets	**82,641**	**–**	**50,692**	**133,333**
	8,145,191	**2**	**50,692**	**8,195,885**

The Company 2017	Malaysia RM'000	Indonesia RM'000	Hong Kong RM'000	Total RM'000
Cash and short-term funds	182,807	2	–	182,809
Financial investments available-for-sale	1,433,024	–	–	1,433,024
Financial investments held-to-maturity	3,518,264	–	–	3,518,264
Other assets	41,596	–	–	41,596
	5,175,691	2	–	5,175,693

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2018 and 31 December 2017 based on the industry sectors of the counterparty are as follows:

The Group 2018	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	264	326,141	-	275,042	12,011,370	383	12,613,200
Mining and quarrying	-	-	-	105,941	387,744	1,130,095	132,261	6,751,965	-	8,508,006
Manufacturing	-	-	-	355,007	306,235	25,992	85,099	22,552,163	454	23,324,950
Electricity, gas and water	-	-	-	608,331	3,431,977	1,343,567	252,872	5,466,941	4,195	11,107,883
Construction	-	-	-	121,336	1,366,448	414,920	45,122	14,350,463	801	16,299,090
Transport, storage and communications	-	-	-	267,579	2,801,869	1,907,955	784,883	10,821,228	64,223	16,647,737
Education and health	-	-	-	2,046	61,043	-	1,521	15,324,481	235	15,389,326
Wholesale and retail trade, and restaurant	-	-	-	47,210	82,813	2,577	32,120	29,991,706	31,304	30,187,730
Finance, insurance, real estate business:										
Finance, insurance/takaful, real estate and business activities	31,019,547	10,345,632	4,373,818	16,910,244	16,907,019	14,963,876	6,608,321	43,326,099	8,605,853	153,060,409
Real estate										
Others:										
Household	-	-	-	-	-	-	-	159,723,073	121,097	159,844,170
Others	5,382	930,457	-	9,433,746	6,605,015	19,480,220	417,392	16,828,779	380,531	54,081,522
	31,024,929	11,276,089	4,373,818	27,851,704	32,276,304	39,269,202	8,634,633	337,148,268	9,209,076	501,064,023

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2018 and 31 December 2017 based on the industry sectors of the counterparty are as follows: (Continued)

The Group 2017	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total credit exposures RM'000
Primary agriculture	–	–	–	2,554	371,339	–	53,238	11,053,065	114	11,480,310
Mining and quarrying	–	–	–	281,043	448,428	1,132,352	91,342	6,726,647	–	8,679,812
Manufacturing	–	–	–	81,811	438,503	103,565	123,228	24,342,243	6,001	25,095,351
Electricity, gas and water	–	–	–	801,127	3,763,358	1,398,505	243,116	2,955,868	1,568,373	10,730,347
Construction	–	–	–	336,632	1,886,346	754,426	59,381	12,436,091	325	15,473,201
Transport, storage and communications	–	–	–	451,093	2,871,934	2,113,599	310,140	9,291,803	230,911	15,269,480
Education and health	–	–	–	–	10,324	–	6,813	15,797,449	–	15,814,586
Wholesale and retail trade, and restaurant	–	–	–	66	148,185	5,027	6,276	28,718,708	1,035	28,879,297
Finance, insurance/takaful, real estate and business	32,003,219	5,493,702	4,055,330	9,429,158	11,456,495	11,200,845	6,601,876	39,827,156	7,476,298	127,544,079
Others:										
Government and government agencies	5,825,575	–	–	948,376	5,729,876	2,401,824	–	–	287,635	15,193,286
Household	–	–	–	–	–	–	2,673	151,476,831	635,917	152,115,421
Others	577	990,985	–	7,812,444	3,785,765	17,811,072	949,874	13,931,151	425,222	45,707,090
	37,829,371	6,484,687	4,055,330	20,144,304	30,910,553	36,921,215	8,447,957	316,557,012	10,631,831	471,982,260

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets based on the industry sectors of the counterparty are as follows:

The Company 2018	Cash and short term funds RM'000	Other financial assets* RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Total credit exposures RM'000
Finance, insurance, real estate business:					
Finance, insurance/takaful, real estate and business activities	197,548	133,154	2,467,071	5,397,933	8,195,706
Others:					
Others	–	179	–	–	179
	197,548	133,333	2,467,071	5,397,933	8,195,885

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets based on the industry sectors of the counterparty are as follows: (Continued)

The Company 2017	Cash and short term funds RM'000	Other financial assets* RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Total credit exposures RM'000
Finance, insurance/takaful, real estate and business activities	182,809	41,422	1,433,024	3,518,264	5,175,519
Others:					
Others	–	174	–	–	174
	182,809	41,596	1,433,024	3,518,264	5,175,693

* *Other financial assets include amount owing by subsidiaries and other financial assets*

The analysis of credit risk concentrations for financial guarantees and credit related commitments and contingencies based on the industry sectors of the counterparty are as follows:

	The Group			
	Financial guarantees 2018 RM'000	Credit related commitments and contingencies 2018 RM'000	Financial guarantees 2017 RM'000	Credit related commitments and contingencies 2017 RM'000
Primary agriculture	**61,204**	**588,322**	81,454	1,598,887
Mining and quarrying	**43,212**	**238,469**	152,547	567,239
Manufacturing	**583,133**	**1,333,859**	610,326	5,653,838
Electricity, gas and water	**169,538**	**2,086,792**	138,522	604,802
Construction	**549,755**	**3,387,280**	593,325	6,136,815
Transport, storage and communications	**227,786**	**1,199,703**	228,837	2,050,166
Education and health	**86,108**	**573,988**	91,722	3,575,248
Wholesale and retail trade, and restaurant	**1,124,777**	**2,641,557**	2,359,781	6,715,281
Finance, insurance/takaful,real estate and business activities	**4,473,689**	**13,218,602**	5,177,019	14,870,863
Others:				
Household	**68,495**	**48,176,436**	61,925	40,374,674
Others	**98,137**	**247,688**	113,650	5,542,305
	7,485,834	**73,692,696**	9,609,108	87,690,118

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.4 Credit quality of financial assets

(a) Financial assets using General 3-stage approach

Where expected credit loss model is applied, the credit quality of financial instruments subject to credit risk are assessed by reference to the internal rating system adopted by the Group in 2018, as summarised below:

Loans, advances and financing and loans commitment and financial guarantees

Rating classification	Internal rating
Good	1 to 10b
Satisfactory	11a – 13e
Impaired	14

Other financial instruments

Rating classification	Internal rating
Investment grade (IG)	1 to 6
Non-investment grade	7 to 13e
Impaired	14

Other financial instruments includes cash and short-term fund, deposits and placement with banks and other financial institutions, reverse repurchase agreements at amortised cost, debt instruments at FVOCI, debt investment securities at amortised cost, amount owing by subsidiairy and other assets.

Credit quality description can be summarised as follows:

Good – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Company.

Satisfactory – There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

Investment grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment grade – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

No rating – This includes exposures under the Standardised Approach and those where ratings are not available and portfolio average were applied.

Impaired – Refers to the asset that is being impaired.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised.

The Group 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchase credit-impaired RM'000	Total RM'000
Cash and short-term fund and Deposits and placement with Banks and other Financial Institutions					
Sovereign	24,625,643	–	–	–	24,625,643
Investment grade	9,678,079	–	–	–	9,678,079
Non-investment grade	52,303	–	–	–	52,303
Impaired	–	–	2,884	–	2,884
No rating	1,045,438	–	–	–	1,045,438
Gross carrying amount	35,401,463	–	2,884	–	35,404,347
Total ECL	(2,716)	–	(2,884)	–	(5,600)
Net carrying amount	35,398,747	–	–	–	35,398,747
Reverse repurchase agreements, at amortised cost					
Sovereign	173,829	–	–	–	173,829
Investment grade	3,056,807	–	–	–	3,056,807
Non-investment grade	249,218	–	–	–	249,218
No rating	7,296,101	–	–	–	7,296,101
Gross carrying amount	10,775,955	–	–	–	10,775,955
Total ECL	–	–	–	–	–
Net carrying amount	10,775,955	–	–	–	10,775,955
Debt instruments at FVOCI					
Sovereign	12,697,632	–	–	–	12,697,632
Investment grade	10,119,856	–	–	–	10,119,856
Non-investment grade	6,848,962	20,271	–	–	6,869,233
Impaired	–	–	30,306	–	30,306
No rating	2,559,277	–	–	–	2,559,277
Gross carrying amount	32,225,727	20,271	30,306	–	32,276,304
Total ECL^^	(23,219)	(2,002)	(30,306)	–	(55,527)

^^ *The ECL is recognised in OCI reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI are equivalent to their fair value.*

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised. (Continued)

The Group 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchase credit-impaired RM'000	Total RM'000
Debt investment at amortised cost					
Sovereign	28,219,405	–	–	–	28,219,405
Investment grade	2,205,655	–	–	–	2,205,655
Non-investment grade	1,439,362	1,484,717	–	–	2,924,079
Impaired	–	–	11,474	–	11,474
No rating	6,029,326	–	–	–	6,029,326
Gross carrying amount	37,893,748	1,484,717	11,474	–	39,389,939
Total ECL	(9,115)	(100,148)	(11,474)	–	(120,737)
Net carrying amount	37,884,633	1,384,569	–	–	39,269,202
Loans, advances and financing at amortised cost (i)					
Good	185,798,441	3,756,045	–	–	189,554,486
Satisfactory	34,039,137	8,404,777	–	–	42,443,914
Impaired	–	–	10,069,160	7,553	10,076,713
No rating	99,855,525	3,586,314	–	–	103,441,839
Gross carrying amount	319,693,103	15,747,136	10,069,160	7,553	345,516,952
Total ECL	(2,407,561)	(1,218,564)	(5,543,688)	(2,552)	(9,172,365)
Net carrying amount	317,285,542	14,528,572	4,525,472	5,001	336,344,587
Other assets					
Investment grade	2,252,325	–	–	–	2,252,325
Non-investment grade	993,148	–	–	–	993,148
No rating	1,912,952	–	–	–	1,912,952
Gross carrying amount	5,158,425	–	–	–	5,158,425
Total ECL	–	–	–	–	–
Net carrying amount	5,158,425	–	–	–	5,158,425
Loan commitments and Financial guarantee contracts					
Good	37,221,246	321,392	–	–	37,542,638
Satisfactory	4,848,535	254,737	–	–	5,103,272
Impaired	–	–	167,012	–	167,012
No rating	37,998,012	612,347	7,585	–	38,617,944
Gross exposure	80,067,793	1,188,476	174,597	–	81,430,866
Total ECL	(333,672)	(58,862)	(109,803)	–	(502,337)
Net exposure	79,734,121	1,129,614	64,794	–	80,928,529

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

(i) Analysis of credit quality of loans, advances and financing by product

			Loans and advances at amortised cost							
The Group 2018	Overdraft RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claims on customers under acceptance credits RM'000	Staff loans RM'000	Credit card receivables RM'000	Revolving credits RM'000	Share margin financing RM'000	Total gross carrying amount RM'000
12-month ECL (Stage 1)	4,407,049	257,481,735	7,036,115	1,782,198	4,665,057	1,461,826	8,768,899	33,422,914	667,310	319,693,103
– Good	1,698,137	155,384,149	6,444,475	1,531,763	3,103,031	197	527,949	17,108,740	-	185,798,441
– Satisfactory	425,449	30,902,322	347,952	20,442	334,888	9	358,794	1,580,854	68,427	34,039,137
– No rating	2,283,463	71,195,264	243,688	229,993	1,227,138	1,461,620	7,882,156	14,733,320	598,883	99,855,525
Lifetime ECL not credit-impaired (Stage 2)	565,951	12,016,021	798,667	75,712	462,346	378	536,394	1,245,941	45,726	15,747,136
– Good	188,939	2,634,917	261,679	52,165	175,867	–	2,373	440,105	–	3,756,045
– Satisfactory	329,259	6,540,123	532,262	23,547	232,799	–	10,739	735,928	120	8,404,777
– No rating	47,753	2,840,981	4,726	–	53,680	378	523,282	69,908	45,606	3,586,314
Lifetime ECL credit-impaired (Stage 3)	342,592	7,722,353	363,438	170,290	84,961	1,890	156,811	1,224,742	2,083	10,069,160
– Impaired	342,592	7,722,353	363,438	170,290	84,961	1,890	156,811	1,224,742	2,083	10,069,160
Purchase or credit-impaired	–	7,553	–	–	–	–	–	–	–	7,553
– Impaired	–	7,553	–	–	–	–	–	–	–	7,553
Total	5,315,592	277,227,662	8,198,220	2,028,200	5,212,364	1,464,094	9,462,104	35,893,597	715,119	345,516,952

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised. (Continued)

The Company 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchase credit-impaired RM'000	Total RM'000
Cash and short-term fund and Deposits and placement with Banks and other Financial Institutions					
No rating	197,548	–	–	–	197,548
Gross carrying amount	197,548	–	–	–	197,548
Total ECL	–	–	–	–	–
Net carrying amount	197,548	–	–	–	197,548
Debt instruments at FVOCI					
No rating	2,467,071	–	–	–	2,467,071
Gross carrying amount	2,467,071	–	–	–	2,467,071
Total ECL^^	(21,044)	–	–	–	(21,044)
Debt instruments at amortised cost					
No rating	5,445,496	–	–	–	5,445,496
Gross carrying amount	5,445,496	–	–	–	5,445,496
Total ECL	(47,563)	–	–	–	(47,563)
Net carrying amount	5,397,933	–	–	–	5,397,933
Amount owing by subsidiary					
Impaired	–	–	775	–	775
Gross carrying amount	–	–	775	–	775
Total ECL	–	–	(775)	–	(775)
Net carrying amount	–	–	–	–	–

^^ *The ECL is recognised in other comprehensive income reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value.*

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach

Analysis of other assets by credit rating

The credit quality of other assets are assessed by reference to internal rating system adopted by the Group in 2018. Where internal rating system is not applied, external credit rating by major credit rating agencies will be adopted, as summarised below:

Rating classification	Internal rating	External credit rating
Investment grade (IG)	1 to 6	AAA to BBB-
Non-investment grade	7 to 14	BB+ and below

Credit quality description can be summarised below:

Investment grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment grade – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

No rating – This includes exposures where ratings are not available and portfolio average were applied.

The following tables are analysis of the credit risk exposure of other assets using simplified approach:

The Group 2018	Sovereign RM'000	Investment grade RM'000	Non-investment grade RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
Other assets	14,104	238,575	890	3,857,694	4,111,263	(60,612)	4,050,651
Total	**14,104**	**238,575**	**890**	**3,857,694**	**4,111,263**	**(60,612)**	**4,050,651**

The Company 2018	Sovereign RM'000	Investment grade RM'000	Non-investment grade RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
Other assets	–	–	–	133,333	133,333	–	133,333
Total	**–**	**–**	**–**	**133,333**	**133,333**	**–**	**133,333**

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.5 Credit quality of financial assets – comparative information under MFRS139

(a) Loans, advances and financing

Loans, advances and financing of the Group are summarised as follows:

The Group 2017	Neither past due nor impaired (i) RM'000	Past due but not impaired (ii) RM'000	Impaired (iii) RM'000	Total gross amount RM'000
Overdrafts	4,650,991	410,803	350,782	5,412,576
Term loans/financing	241,149,946	13,558,454	8,902,701	263,611,101
Bills receivable	9,143,679	14,757	536,867	9,695,303
Trust receipts	1,665,781	16,608	139,794	1,822,183
Claim on customers under acceptance credit	4,931,781	21,377	97,457	5,050,615
Credit card receivables	8,881,403	511,104	175,254	9,567,761
Revolving credit	27,318,843	147,479	788,089	28,254,411
Share margin financing	887,905	–	831	888,736
Other loans	–	–	1,905	1,905
Total	298,630,329	14,680,582	10,993,680	324,304,591
Less: Impairment allowances *				(7,747,579)
Total net amount				316,557,012

* *Impairment allowances include allowances against financial assets that have been impaired and those subject to portfolio impairment*

(i) Loans, advances and financing that are "neither past due nor impaired"

The credit quality of loans, advances and financing that are "neither past due nor impaired" can be assessed by reference to the internal rating system adopted by the Group.

The Group 2017	Good RM'000	Satisfactory RM'000	No rating RM'000	Total RM'000
Overdrafts	2,230,984	180,985	2,239,022	4,650,991
Term loans/financing	82,873,450	959,175	157,317,321	241,149,946
Bills receivable	7,789,283	118,841	1,235,555	9,143,679
Trust receipts	1,296,296	65,350	304,135	1,665,781
Claim on customers under acceptance credit	3,292,186	35,842	1,603,753	4,931,781
Credit card receivables	2,226,063	–	6,655,340	8,881,403
Revolving credit	18,260,066	145,186	8,913,591	27,318,843
Share margin financing	–	–	887,905	887,905
Total	117,968,328	1,505,379	179,156,622	298,630,329

Credit quality description can be summarised as follows:

Good – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Company.

Satisfactory – There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

No rating – Refers to counterparties that do not satisfy the criteria to be rated internally. These include sovereigns, individuals, schools, non-government organisations, cooperatives and others.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.5 Credit quality of financial assets – comparative information under MFRS139 (Continued)

(a) Loans, advances and financing (Continued)

(ii) Loans, advances and financing that are "past due but not impaired"

The Group considers an asset as past due when any payment due under strict contractual terms is received late or missed. However, loans, advances and financing which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

An age analysis of loans, advances and financing that are "past due but not impaired" is set out below:

The Group 2017	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Overdrafts	368,183	42,620	410,803
Term loans/financing	10,150,197	3,408,257	13,558,454
Bills receivable	12,572	2,185	14,757
Trust receipts	6,452	10,156	16,608
Claim on customers under acceptance credit	12,149	9,228	21,377
Credit card receivables	375,153	135,951	511,104
Revolving credit	114,457	33,022	147,479
Total	11,039,163	3,641,419	14,680,582

(iii) Impaired loans, advances and financing

The Group 2017	RM'000
Total gross impaired loans	10,993,680
Less: Impairment allowances	(5,756,138)
Total net impaired loans	5,237,542

Refer to Note 12(viii), Note 12(ix) and Note 12(x) for analysis of impaired loans, advances and financing by economic purpose, geographical distribution and economic sector.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.5 Credit quality of financial assets – comparative information under MFRS139 (Continued)

(b) Financial investments

Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

The Group 2017	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
Financial assets held for trading	20,144,304	–	20,144,304
Financial investments available-for-sale	30,916,618	77,714	30,994,332
Financial investments held-to-maturity	36,921,851	11,664	36,933,515
Total	87,982,773	89,378	88,072,151
Less: Impairment allowance *			(96,079)
Total net amount			87,976,072

* *Impairment allowance represents allowance made against financial assets that have been impaired*

The Company 2017	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
Financial investments available-for-sale	1,433,024	–	1,433,024
Financial investments held-to-maturity	3,518,264	–	3,518,264
Total	4,951,288	–	4,951,288

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are "past due but not impaired" as at 31 December 2017 for the Group and the Company.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.5 Credit quality of financial assets – comparative information under MFRS139 (Continued)

(b) Financial investments (Continued)

(i) Financial investments that are "neither past due nor impaired"

The table below presents an analysis of financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are "neither past due nor impaired", based on rating by major credit rating agencies:

The Group 2017	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non-investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
Financial assets held for trading	8,581,921	10,791,574	20,737	750,072	20,144,304
Financial investments available-for-sale	9,604,198	18,758,971	54,120	2,499,329	30,916,618
Financial investments held-to-maturity	27,752,850	5,602,760	153,720	3,412,521	36,921,851
Total	45,938,969	35,153,305	228,577	6,661,922	87,982,773

The securities with no ratings mainly consist of corporate bond and Sukuk and commercial papers.

The Company 2017	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Total RM'000
Financial investments available-for-sale	1,433,024	–	1,433,024
Financial investments held-to-maturity	3,518,264	–	3,518,264
Total	4,951,288	–	4,951,288

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.5 Credit quality of financial assets – comparative information under MFRS139 (Continued)

(c) Other financial assets

Other financial assets of the Group and the Company are summarised as follows:

The Group 2017	Neither past due nor impaired (i) RM'000	Past due but not impaired (ii) RM'000	Impaired (iii) RM'000	Total gross amount RM'000
Cash and short-term funds	37,829,371	–	–	37,829,371
Reverse repurchase agreements	6,484,687	–	–	6,484,687
Deposits and placements with banks and other financial institutions	4,055,330	–	–	4,055,330
Other assets	10,603,870	22,726	56,538	10,683,134
Derivative financial instruments	8,447,957	–	–	8,447,957
Total	67,421,215	22,726	56,538	67,500,479
Less: Impairment allowance*				(51,303)
Total net amount				67,449,176

* *Impairment allowance represents allowance made against financial assets that have been impaired*

The Company 2017	Neither past due nor impaired (i) RM'000	Impaired RM'000	Total gross amount RM'000
Cash and short-term funds	182,809	–	182,809
Other assets	41,596	–	41,596
Amount owing by subsidiaries	–	775	775
Total	224,405	775	225,180
Less: Impairment allowance*			(775)
Total net amount			224,405

* *Impairment allowance represents allowance made against financial assets that have been impaired*

There were no other credit risk financial assets that are "past due but not impaired" as at 31 December 2017 for the Company.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.1 Credit risk (Continued)

61.1.5 Credit quality of financial assets – comparative information under MFRS139 (Continued)

(c) Other financial assets (Continued)

(i) Other financial assets that are "neither past due nor impaired"

The tables below present an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies:

The Group 2017	Sovereign RM'000	Investment grade (AAA to BBB-) RM'000	Non-investment grade (BB+ and below) RM'000	No rating RM'000	Total RM'000
Cash and short-term funds	28,255,310	8,271,485	8,072	1,294,504	37,829,371
Reverse repurchase agreements	–	5,427,055	569	1,057,063	6,484,687
Deposits and placements with banks and other financial institutions	2,419,978	1,201,100	236,810	197,442	4,055,330
Other assets	177,416	3,960,077	1,169,357	5,297,020	10,603,870
Derivative financial instruments	225,232	5,300,095	1,699,788	1,222,842	8,447,957
Total	31,077,936	24,159,812	3,114,596	9,068,871	67,421,215

The Company 2017	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Total RM'000
Cash and short-term funds	182,809	–	182,809
Other assets	–	41,596	41,596
Total	182,809	41,596	224,405

(ii) Other financial assets that are "past due but not impaired"

An age analysis of the other financial assets of the Group that are "past due but not impaired" as at 31 December 2017 are set out as below.

	Past due but not impaired		
The Group 2017	Up to 1 month RM'000	>1 – 3 months RM'000	Total RM'000
Other assets	4,896	17,830	22,726

61.1.6 Repossessed collateral

The Group obtained assets by taking possession of collateral held as security as at 31 December 2018 and 31 December 2017 are as follows:

Nature of assets	The Group Carrying amount RM'000	The Company Carrying amount RM'000
2018		
Industrial and residential properties, development land and motor vehicles	**172,382**	**–**
2017		
Industrial and residential properties, development land and motor vehicles	225,572	–

Repossessed collaterals are sold as soon as practicable. The Group does not utilise the repossessed collaterals for its business use.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk

Market risk is defined as any fluctuation in the market value of a trading or investment position arising from changes to market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

Market Risk Management (MRM)

The Group adopts various measures as part of risk management process. The GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. The Group hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

Market Risk CoE is responsible for measuring and controlling the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2018 is shown in Note 61.2.1.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Market's trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limits adequacy and verifying transaction prices.

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

61.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures are set out as below:

	The Group	
	2018 RM'000	2017 RM'000
Foreign exchange risk	**6,584**	7,647
Interest rate risk	**13,489**	17,871
Equity risk	**2,914**	4,726
Commodity risk	**4,858**	1,555
Total	**27,845**	31,799
Total shareholder's fund	**51,374,295**	48,245,479
Percentage of shareholder's fund	**0.05%**	0.07%

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.2 Interest rate risk

Interest rate risk relates to the potential adverse impact on net interest income arising from changes in market rates. One of the primary sources of interest rate risk is the repricing mismatches between interest earning assets and interest bearing liabilities. Interest rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk ("EaR").

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

	Non-trading book								
The Group 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	29,108,458	-	-	-	-	-	6,420,476	-	35,528,934
Reverse repurchase agreements	7,304,943	2,302,432	657,616	25,824	275,312	-	212,224	497,738	11,276,089
Deposits and placements with banks and other financial institutions	1,979,703	2,097,587	269,028	20,719	-	-	6,781	-	4,373,818
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,501,093	28,009,976	29,511,069
Debt instruments at fair value through other comprehensive income	685,465	1,480,523	2,409,425	2,233,123	13,926,770	11,348,642	192,356	-	32,276,304
Equity instruments at fair value through other comprehensive income	-	-	-	100,445	75,244	1,046	406,789	-	583,524
Debt instruments at amortised cost	2,018,672	2,138,797	1,552,720	2,264,562	21,323,618	9,661,820	309,013	-	39,269,202
Derivative financial instruments	1,078	4,233	5,639	21,848	43,663	35,189	-	8,522,983	8,634,633
Loans, advances and financing	243,820,449	19,878,762	7,455,731	8,772,232	29,651,320	27,569,774	-	-	337,148,268
Other assets	2,264,691	425,745	9,334	72,778	539,169	44,372	5,852,987	-	9,209,076
Total financial assets	**287,183,459**	**28,328,079**	**12,359,493**	**13,511,531**	**65,835,096**	**48,660,843**	**14,901,719**	**37,030,697**	**507,810,917**
Financial liabilities									
Deposits from customers	180,154,823	62,986,559	51,713,359	39,955,895	2,292,795	92,410	32,997,244	–	370,193,085
Investment accounts of customers	700,807	881,007	169,474	1,031	–	–	16,951	–	1,769,270
Deposits and placements of banks and other financial institutions	10,269,825	8,080,286	938,783	516,800	101,262	–	325,924	–	20,232,880
Repurchase agreements	7,849,897	2,453,922	209,995	25,824	275,312	–	3,464,526	–	14,279,476
Derivative financial instruments	9,614	4,355	2,513	248,347	154,523	244,078	–	7,744,551	8,407,981
Bills and acceptances payable	785,393	959,211	666,994	31,409	22,659	1,948	53,758	–	2,521,372
Financial liabilities designated at fair value through profit or loss	169,272	1,768,100	2,228,992	100	1,485,862	10,000	19,224	199,157	5,880,707
Other liabilities	2,591,101	1,907,042	166,659	368,009	2,968,069	217,781	5,870,815	–	14,089,476
Recourse obligation on loans and financing sold to Cagamas	2,736,804	1,854,085	–	–	870,573	489,247	56,738	–	6,007,447
Bonds, Sukuk and debentures	365,577	2,592,196	306,486	1,472,390	5,936,220	2,742,457	299,855	–	13,715,181
Other borrowings	1,708,436	4,065,700	368,768	134,562	2,989,340	–	39,834	–	9,306,640
Subordinated obligations	–	–	1,380,000	300,000	10,452,207	1,169,233	180,832	–	13,482,272
Total financial liabilities	**207,341,549**	**87,552,463**	**58,152,023**	**43,054,367**	**27,548,822**	**4,967,154**	**43,325,701**	**7,943,708**	**479,885,787**
Net interest sensitivity gap	**79,841,910**	**(59,224,384)**	**(45,792,530)**	**(29,542,836)**	**38,286,274**	**43,693,689**		**29,086,989**	
Financial guarantees and commitments and contingencies									
Financial guarantees	–	–	–	–	–	–	7,485,834	–	7,485,834
Credit related commitments and contingencies	250,000	–	–	–	–	–	73,442,696	–	73,692,696
Treasury related commitments and contingencies (hedging)	–	–	75,903	4,692,883	20,117,470	11,525,503	–	–	36,411,759
Net interest sensitivity gap	**250,000**	**–**	**75,903**	**4,692,883**	**20,117,470**	**11,525,503**	**80,928,530**	**–**	**117,590,289**

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	Non-trading book								
The Group 2017	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	35,081,761	–	–	–	–	–	6,586,123	–	41,667,884
Reverse repurchase agreements	4,940,107	1,245,097	131,095	141,756	9,163	–	17,469	–	6,484,687
Deposits and placements with banks and other financial institutions	2,716,054	1,097,966	183,799	53,621	–	–	3,890	–	4,055,330
Financial assets held for trading	–	–	–	–	–	–	–	21,657,212	21,657,212
Financial investments available-for-sale	372,390	1,730,851	1,198,502	2,527,456	13,075,370	11,786,274	1,713,143	–	32,403,986
Financial investments held-to-maturity	2,495,201	1,921,726	941,023	2,523,628	16,099,429	12,582,829	357,379	–	36,921,215
Derivative financial instruments	24,083	67,241	51,343	6,320	47,039	44,095	–	8,207,836	8,447,957
Loans, advances and financing	223,989,110	17,411,064	8,375,635	12,403,854	30,075,678	24,301,135	536	–	316,557,012
Other assets	2,642,233	379,236	17,764	489,921	647,005	2,819	6,452,853	–	10,631,831
Total financial assets	272,260,939	23,853,181	10,899,161	18,146,556	59,953,684	48,717,152	15,131,393	29,865,048	478,827,114
Financial liabilities									
Deposits from customers	185,840,458	56,745,459	44,406,818	25,442,347	2,689,976	1,181,959	32,211,260	–	348,518,277
Investment accounts of customers	289,484	522,310	92,529	–	–	–	3,440	–	907,763
Deposits and placements of banks and other financial institutions	10,650,254	5,530,008	1,614,566	1,226,135	126,029	–	604,584	–	19,751,576
Repurchase agreements	75,273	1,941,226	780,129	139,702	362,304	–	2,823,639	–	6,122,273
Derivative financial instruments	4,387	6,216	9,062	14,990	336,661	166,268	–	8,213,799	8,751,383
Bills and acceptances payable	1,359,381	609,097	434,274	51,217	6,133	680,115	36,965	–	3,177,182
Financial liabilities designated at fair value through profit or loss	125,079	908,122	1,806,814	218,915	1,503,329	151,000	14,887	45,294	4,773,440
Other liabilities	2,994,655	1,578,523	192,399	123,430	2,314,908	197,382	9,846,048	–	17,247,345
Other borrowings	2,638,669	3,927,732	1,350,000	1,168,463	949,253	–	23,178	–	10,057,295
Subordinated obligations	–	–	–	2,048,743	10,027,712	317,564	138,946	–	12,532,965
Bonds, Sukuk and debentures	98,662	2,691,652	573,393	797,733	7,683,321	2,811,691	239,173	–	14,895,625
Recourse obligation on loans and financing sold to Cagamas	350,003	940,018	–	–	3,377,862	484,282	43,083	–	5,195,248
Total financial liabilities	204,426,305	75,400,363	51,259,984	31,231,675	29,377,488	5,990,261	45,985,203	8,259,093	451,930,372
Net interest sensitivity gap	67,834,634	(51,547,182)	(40,360,823)	(13,085,119)	30,576,196	42,726,891		21,605,955	
Financial guarantees and commitments and contingencies									
Financial guarantees	–	–	–	–	–	–	9,609,108	–	9,609,108
Credit related commitments and contingencies	–	–	–	–	–	–	87,690,118	–	87,690,118
Treasury related commitments and contingencies (hedging)	88,708	–	740,851	5,301,048	18,513,735	9,108,070	–	–	33,752,412
Net interest sensitivity gap	88,708	–	740,851	5,301,048	18,513,735	9,108,070	97,299,226	–	131,051,638

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarises the Company's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

	Non-trading book								
The Company 2018	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short-term funds	**190,675**	**–**	**–**	**–**	**–**	**–**	**6,873**	**–**	**197,548**
Debt instruments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**2,450,091**	**–**	**16,980**	**–**	**2,467,071**
Debt instruments at amortised cost	**–**	**–**	**–**	**–**	**4,173,079**	**1,189,358**	**35,496**	**–**	**5,397,933**
Other assets	**–**	**–**	**–**	**–**	**–**	**–**	**133,333**	**–**	**133,333**
Total financial assets	**190,675**	**–**	**–**	**–**	**6,623,170**	**1,189,358**	**192,682**	**–**	**8,195,885**
Financial liabilities									
Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**2,450**	**–**	**2,450**
Amount owing to subsidiaries	**1,819**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,819**
Other borrowings	**–**	**–**	**350,000**	**–**	**3,000,000**	**–**	**3,526**	**–**	**3,353,526**
Subordinated obligations	**–**	**–**	**1,380,000**	**–**	**7,200,000**	**1,200,000**	**61,811**	**–**	**9,841,811**
Total financial liabilities	**1,819**	**–**	**1,730,000**	**–**	**10,200,000**	**1,200,000**	**67,787**	**–**	**13,199,606**
Net interest sensitivity gap	**188,856**	**–**	**(1,730,000)**	**–**	**(3,576,830)**	**(10,642)**		**–**	
The Company 2017									
Financial assets									
Cash and short-term funds	181,514	–	–	–	–	–	1,295	–	182,809
Financial investments available-for-sale	–	–	–	–	1,426,619	–	6,405	–	1,433,024
Financial investments held-to-maturity	–	–	–	–	–	3,509,999	8,265	–	3,518,264
Other assets	–	–	–	–	–	–	41,596	–	41,596
Total financial assets	181,514	–	–	–	1,426,619	3,509,999	57,561	–	5,175,693
Financial liabilities									
Other liabilities	–	–	–	–	–	–	1,717	–	1,717
Other borrowings	200,000	–	1,350,000	1,000,000	1,000,000	–	3,113	–	3,553,113
Subordinated obligations	–	–	–	–	3,380,000	3,500,000	24,556	–	6,904,556
Total financial liabilities	200,000	–	1,350,000	1,000,000	4,380,000	3,500,000	29,386	–	10,459,386
Net interest sensitivity gap	(18,486)	–	(1,350,000)	(1,000,000)	(2,953,381)	9,999		–	

Notes to the Financial Statements
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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.2 Interest rate risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Company's banking book to movement in interest rates:

	The Group		The Company	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2018				
Impact to profit (after tax)	**(69,614)**	**69,614**	**(6,842)**	**6,842**
2017				
Impact to profit (after tax)	(42,804)	42,804	(8,447)	8,447

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

(c) Sensitivity of reserves

The table below shows the sensitivity of the Group's and the Company's banking book to movement in interest rates:

	The Group		The Company	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2018				
Impact to fair value reserves-debt instruments at fair value through other comprehensive income	**(1,171,129)**	**1,171,129**	**(79,056)**	**79,056**
Impact to fair value reserves-equity instruments at fair value through other comprehensive income	**(1,891)**	**1,891**	**–**	**–**
2017				
Impact to revaluation reserve-financial investments available-for-sale	(1,209,442)	1,209,442	(46,588)	46,588

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group would take to mitigate the impact of this interest rate risk. In practice, the Group proactively seeks to mitigate the effect of prospective interest movements.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.3 Foreign exchange risk

The Group and Company are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Company take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company.

The Group 2018	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets														
Cash and short-term funds	22,220,479	3,295,395	293,098	723,122	5,393,478	232,492	603,942	899,845	324,997	75,965	564,277	901,844	13,308,455	35,528,934
Reverse repurchase agreements	3,716,329	173,829	128,336	2,307,716	4,228,752	586,898	62,935	34,931	-	5,676	23,545	7,142	7,559,760	11,276,089
Deposits and placements with banks and other financial institutions	2,161,913	1,544,177	-	167	174,673	287	-	-	211,414	-	-	281,187	2,211,905	4,373,818
Financial assets at fair value through profit or loss	15,150,828	548,998	2,956,565	4,547,006	2,481,852	173,116	-	2,334,600	407,938	907,677	134	2,355	14,360,241	29,511,069
Debt instruments at fair value through other comprehensive income	15,053,229	4,782,045	6,248,599	1,667,639	4,184,616	181,042	-	-	-	159,134	-	-	17,223,075	32,276,304
Equity instruments at fair value through other comprehensive income	473,059	69	11,389	58	98,880	-	-	-	-	-	69	-	110,465	583,524
Debt instruments at amortised cost	28,467,252	2,805,029	2,270,072	4,064,090	1,653,134	-	-	-	-	-	-	9,625	10,801,950	39,269,202
Derivative financial instruments	7,478,970	202,404	55,882,376	12,502,075	(72,558,717)	(1,552,503)	4,814,100	6,122,176	1,388,514	(5,537,056)	(1,817,878)	1,710,172	1,155,663	8,634,633
Loans, advances and financing	199,338,597	45,395,893	26,401,420	27,323,029	30,206,407	269,689	4,313,931	908,411	582,395	1,606,068	516,721	285,707	137,809,671	337,148,268
Other assets	3,535,320	980,813	473,438	156,647	3,824,148	12,477	44,115	14,232	15,670	91,623	20,535	40,058	5,673,756	9,209,076
	297,595,976	59,728,652	94,665,293	53,291,549	(20,312,777)	(96,502)	9,839,023	10,314,195	2,930,928	(2,690,913)	(692,597)	3,238,090	210,214,941	507,810,917

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company. (Continued)

The Group 2018	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities														
Deposits from customers	224,796,355	41,752,313	23,239,040	33,479,153	37,916,305	1,796,583	3,102,822	163,840	1,094,247	1,333,794	628,531	890,102	145,396,730	370,193,085
Investment accounts of customers	1,769,270	-	-	-	-	-	-	-	-	-	-	-	-	1,769,270
Deposits and placements of banks and other financial institutions	3,667,409	727,763	1,379,102	812,605	10,823,838	505,710	245,006	127,866	948,561	684,783	9,301	300,936	16,565,471	20,232,880
Repurchase agreements	3,341,320	3,427,634	4,142,655	1,542,067	1,825,800	-	-	-	-	-	-	-	10,938,156	14,279,476
Financial liabilities designated at fair value through profit or loss	1,355,488	-	4,525,219	-	-	-	-	-	-	-	-	-	4,525,219	5,880,707
Derivatives financial instruments	17,254,424	154,187	56,240,748	16,368,482	(83,035,859)	(3,595,506)	3,224,153	8,341,360	322,593	(6,477,682)	(723,126)	334,207	(8,846,443)	8,407,981
Bills and acceptances payable	259,432	565,709	307,445	111,901	1,185,571	-	3,708	6,670	54,834	-	26,003	99	2,261,940	2,521,372
Other liabilities	6,096,463	3,503,137	547,645	390,321	2,989,869	127,153	33,872	67,567	76,178	163,710	57,671	35,890	7,993,013	14,089,476
Recourse obligation on loans and financing sold to Cagamas	6,007,447	-	-	-	-	-	-	-	-	-	-	-	-	6,007,447
Other borrowings	3,323,201	141,685	95,530	-	5,746,224	-	-	-	-	-	-	-	5,983,439	9,306,640
Bonds, Sukuk and debentures	4,112,392	1,521,651	385,540	-	5,976,484	294,339	-	-	154,843	1,269,932	-	-	9,602,789	13,715,181
Subordinated obligations	13,003,088	479,184	-	-	-	-	-	-	-	-	-	-	479,184	13,482,272
	284,986,289	52,273,263	90,862,924	52,704,529	(16,571,768)	(871,721)	6,609,561	8,707,303	2,651,256	(3,025,463)	(1,620)	1,561,234	194,899,498	479,885,787
Financial guarantees	1,857,991	523,836	319,578	2,899,535	1,673,871	-	56,314	3,092	3,384	95,183	51,848	1,202	5,627,843	7,485,834
Credit related commitments and contingencies	59,236,494	5,173,859	1,697,250	3,108,240	2,453,972	21,356	649,866	84,836	360,898	861,148	43,705	1,072	14,456,202	73,692,696
	61,094,485	5,697,695	2,016,828	6,007,775	4,127,843	21,356	706,180	87,928	364,282	956,331	95,553	2,274	20,084,045	81,178,530

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company. (Continued)

The Group 2017	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets														
Cash and short-term funds	24,824,949	3,698,320	340,768	883,485	8,541,158	296,623	1,061,080	174,521	245,810	116,963	419,137	1,065,070	16,842,935	41,667,884
Reverse repurchase agreements	1,924,008	–	1,484,086	414,470	2,243,899	64,405	80,632	194,283	–	13,524	63,182	2,198	4,560,679	6,484,687
Deposits and placements with banks and other financial institutions	675,866	2,419,978	132	234	805,735	245	736	–	93,868	–	–	58,536	3,379,464	4,055,330
Financial assets held for trading	10,286,413	1,208,068	1,219,217	4,445,781	2,475,954	432,502	–	692,365	–	38,920	232,418	625,574	11,370,799	21,657,212
Financial investments available-for-sale	15,838,955	7,011,446	2,609,598	1,979,228	4,205,896	278,535	336,710	–	–	93,950	49,668	–	16,565,031	32,403,986
Financial investments held-to-maturity	27,910,070	2,070,655	1,223,433	4,269,075	1,447,982	–	–	–	–	–	–	–	9,011,145	36,921,215
Derivative financial instruments	20,049,096	159,793	48,086,858	14,714,808	(84,675,060)	1,390,148	1,040,732	(70,963)	3,872,797	(1,371,400)	3,931,855	1,319,293	(11,601,139)	8,447,957
Loans, advances and financing	181,397,935	46,527,548	23,812,103	24,198,700	32,804,032	446,498	4,044,949	999,961	443,039	1,116,933	623,623	141,691	135,159,077	316,557,012
Other assets	5,447,006	514,394	534,296	78,851	3,394,233	15,481	77,038	3,196	145	138,355	36,059	392,777	5,184,825	10,631,831
	288,354,298	63,610,202	79,310,491	50,984,632	(28,756,171)	2,924,437	6,641,877	1,993,363	4,655,659	147,245	5,355,942	3,605,139	190,472,816	478,827,114

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company. (Continued)

The Group 2017	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities														
Deposits from customers	210,211,129	43,623,186	21,855,029	30,293,062	35,021,304	1,447,918	2,601,716	338,648	1,113,656	730,522	481,361	800,746	138,307,148	348,518,277
Investment accounts of customers	347,143	–	–	–	560,620	–	–	–	–	–	–	–	560,620	907,763
Deposits and placements of banks and other financial institutions	3,046,275	1,787,828	1,590,012	1,397,573	9,313,350	143,997	1,874,685	12,330	37,702	312,432	209,163	26,229	16,705,301	19,751,576
Repurchase agreements	1,207,356	2,803,757	–	432,564	1,678,596	–	–	–	–	–	–	–	4,914,917	6,122,273
Financial liabilities designated at fair value through profit or loss	1,902,296	–	2,870,235	909	–	–	–	–	–	–	–	–	2,871,144	4,773,440
Derivatives financial instruments	26,579,371	87,473	48,554,533	19,088,395	(96,601,277)	710,486	1,479,560	1,567,959	3,031,750	(2,428,637)	4,538,093	2,143,677	(17,827,988)	8,751,383
Bills and acceptances payable	790,447	474,550	405,667	116,481	1,222,735	–	117,995	16,666	21,806	–	10,835	–	2,386,735	3,177,182
Other liabilities	9,812,690	2,875,238	481,251	500,406	2,905,317	94,744	274,720	58,023	4,111	119,680	97,707	23,458	7,434,655	17,247,345
Recourse obligation on loans and financing sold to Cagamas	5,195,248	–	–	–	–	–	–	–	–	–	–	–	–	5,195,248
Other borrowings	3,113,818	766,398	–	–	6,177,079	–	–	–	–	–	–	–	6,943,477	10,057,295
Bonds, Sukuk and debentures	4,282,087	1,632,240	766,947	367,976	5,882,696	325,939	–	–	292,130	1,345,610	–	–	10,613,538	14,895,625
Subordinated obligations	12,054,458	478,507	–	–	–	–	–	–	–	–	–	–	478,507	12,532,965
	278,542,318	54,529,177	76,523,674	52,197,366	(33,839,580)	2,723,084	6,348,676	1,993,626	4,501,155	79,607	5,337,159	2,994,110	173,388,054	451,930,372
Financial guarantee	2,192,379	205,326	363,459	2,854,116	3,740,737	–	75,977	23,014	2,616	94,103	54,059	3,322	7,416,729	9,609,108
Credit related commitments and contingencies	69,596,664	4,774,063	1,227,189	1,186,867	7,830,248	3,449	1,276,901	108,074	443,104	1,114,619	124,803	4,137	18,093,454	87,690,118
	71,789,043	4,979,389	1,590,648	4,040,983	11,570,985	3,449	1,352,878	131,088	445,720	1,208,722	178,862	7,459	25,510,183	97,299,226

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company. (Continued)

The Company 2018	MYR RM'000	IDR RM'000	USD RM'000	SGD RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	**190,986**	**2**	**6,560**	**–**	**6,562**	**197,548**
Debt instruments at fair value through other comprehensive income	**2,467,071**	**–**	**–**	**–**	**–**	**2,467,071**
Debt instruments at amortised cost	**5,397,933**	**–**	**–**	**–**	**–**	**5,397,933**
Other assets	**82,641**	**–**	**–**	**50,692**	**50,692**	**133,333**
	8,138,631	**2**	**6,560**	**50,692**	**57,254**	**8,195,885**
Financial liabilities						
Other liabilities	**2,450**	**–**	**–**	**–**	**–**	**2,450**
Amount due to subsidiaries	**1,819**	**–**	**–**	**–**	**–**	**1,819**
Other borrowings	**3,353,526**	**–**	**–**	**–**	**–**	**3,353,526**
Subordinated obligations	**9,841,811**	**–**	**–**	**–**	**–**	**9,841,811**
	13,199,606	**–**	**–**	**–**	**–**	**13,199,606**

The Company 2017	MYR RM'000	IDR RM'000	USD RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets					
Cash and short-term funds	182,130	2	677	679	182,809
Financial investments available-for-sale	1,433,024	–	–	–	1,433,024
Financial investments held-to-maturity	3,518,264	–	–	–	3,518,264
Other assets	41,596	–	–	–	41,596
	5,175,014	2	677	679	5,175,693
Financial liabilities					
Other liabilities	1,717	–	–	–	1,717
Other borrowings	3,553,113	–	–	–	3,553,113
Subordinated obligations	6,904,556	–	–	–	6,904,556
	10,459,386	–	–	–	10,459,386

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.2 Market risk (Continued)

61.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit and reserves

The table below shows the sensitivity of the Group's and the Company's profit and reserves to movement in foreign exchange rates:

	The Group		The Company	
	1% appreciation in foreign currency Increase/ (decrease) RM'000	1% depreciation in foreign currency Increase/ (decrease) RM'000	1% appreciation in foreign currency Increase/ (decrease) RM'000	1% depreciation in foreign currency Increase/ (decrease) RM'000
2018				
Impact to profit (after tax)	**(427)**	**427**	**86**	**(86)**
Impact to reserves	**(59,548)**	**59,548**	**–**	**–**
2017				
Impact to profit (after tax)	4,890	(4,890)	5	(5)
Impact to reserves	(53,655)	53,655	–	–

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit and reserves of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.3 Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business-as-usual (BAU) and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand, and fixed deposits. This provides the Group a large stable funding base.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee (Country ALCO) which subsequently report to Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The Asset- Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. For overseas branches and subsidiaries, they should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under BAU and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk limits and appetite. The Group Liquidity Risk Management Framework is subjected to regular review; assumptions and the limits are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity risk positions are monitored on a daily basis and complied with internal risk limits and regulatory requirements for liquidity risk.

The Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an early warning system and a funding crisis management team. The early warning system is designed to alert the Group's management whenever the Group's liquidity position may be at risk. It provides the Group with the analytical framework to detect a likely liquidity problem and to evaluate the Group's funding needs and strategies in advance of a liquidity crisis. The early warning system is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Group.

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio (LCR) which took effect from June 2015 in Malaysia. The purpose of the LCR is to promote short term liquidity risk resilience by ensuring that the Group has sufficient unencumbered high quality liquid assets to meet its liquidity needs for a 30-day combined liquidity crisis scenario. The Group also performs a consolidated stress test, including liquidity stress test, semi-annually to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. Two scenarios, namely bank specific crisis and combined crisis, are modelled.

The LCR and stress test results are submitted to the Country and Group ALCOs, the Group Risk and Compliance Committee, and the Board Risk and Compliance Committees / Board of Directors of the Group. The LCR and stress test results to date have indicated that the Group has sufficient liquidity capacity to meet the liquidity requirements under stated stress test conditions.

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.3 Liquidity risk (Continued)

61.3.1 Contractual maturity of financial assets and liabilities

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines:

The Group 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	35,528,934	–	–	–	–	–	–	35,528,934
Reverse repurchase agreements	7,823,018	2,808,052	645,019	–	–	–	–	11,276,089
Deposits and placements with banks and other financial institutions	1,708,984	2,293,748	329,015	42,071	–	–	–	4,373,818
Financial assets at fair value through profit or loss	3,033,142	6,909,430	5,581,109	2,581,221	4,499,580	4,835,112	2,071,475	29,511,069
Debt instruments at fair value through other comprehensive income	291,241	889,606	2,569,784	2,521,046	14,658,482	11,346,144	1	32,276,304
Equity instruments at fair value through other comprehensive income	–	1,327	18	100,445	75,244	–	406,490	583,524
Debt instruments at amortised cost	1,093,116	2,110,081	1,546,393	2,301,584	20,491,773	11,726,255	–	39,269,202
Derivative financial instruments	259,016	971,829	906,035	1,084,873	3,783,213	1,629,667	–	8,634,633
Loans, advances and financing	36,982,989	13,737,310	10,384,211	21,662,396	63,022,908	191,358,454	–	337,148,268
Other assets	9,817,714	7,767	38,215	97,856	967,250	1,044,570	232,839	12,206,211
Taxation recoverable	317,020	–	–	–	–	–	–	317,020
Deferred tax assets	–	–	–	–	–	–	1,052,808	1,052,808
Statutory deposits with central banks	–	–	–	–	–	–	8,139,164	8,139,164
Investment in associates	–	–	–	–	–	–	74,896	74,896
Investment in joint ventures	–	–	–	–	–	–	1,639,470	1,639,470
Property, plant and equipment	–	–	–	–	–	–	2,257,200	2,257,200
Prepaid lease payment	–	–	–	–	–	–	91,686	91,686
Goodwill	–	–	–	–	–	–	7,680,096	7,680,096
Intangible assets	–	–	–	–	–	–	1,708,484	1,708,484
Non-current assets held for sale	–	–	–	–	–	–	320,167	320,167
Total assets	96,855,174	29,729,150	21,999,799	30,391,492	107,498,450	221,940,202	25,674,776	534,089,043
Liabilities								
Deposits from customers	208,801,376	63,478,582	52,281,367	40,182,700	5,327,914	121,146	–	370,193,085
Investment accounts of customers	717,758	881,007	169,474	1,031	–	–	–	1,769,270
Deposits and placements of banks and other financial institutions	10,560,141	8,111,757	941,976	517,744	101,262	–	–	20,232,880
Repurchase agreements	11,663,134	2,466,736	149,215	391	–	–	–	14,279,476
Derivatives financial instruments	951,018	558,467	912,853	1,471,332	3,109,420	1,404,891	–	8,407,981
Bills and acceptances payable	764,800	657,933	362,550	31,409	22,659	682,021	–	2,521,372
Other liabilities	7,288,759	911,458	820,182	1,078,438	3,435,840	930,423	582,192	15,047,292
Recourse obligation on loans and financing sold to Cagamas	24,409	1,525,759	6,581	–	3,801,435	649,263	–	6,007,447
Deferred tax liabilities	–	–	–	–	–	–	30,175	30,175
Current tax liabilities	539,823	–	–	–	–	–	–	539,823
Financial liabilities designated at fair value through profit or loss	3,307	8,768	1,957	92	3,158,574	2,708,009	–	5,880,707
Bonds, Sukuk and debentures	7,902	26,559	259,075	1,480,492	8,971,959	2,969,194	–	13,715,181
Other borrowings	485,866	99,770	369,696	548,463	7,802,845	–	–	9,306,640
Subordinated obligations	24,957	92,038	1,435,590	300,678	9,859,347	1,769,662	–	13,482,272
Non-current liabilities held for sale	–	–	–	–	–	–	87,471	87,471
Total liabilities	241,833,250	78,818,834	57,710,516	45,612,770	45,591,255	11,234,609	699,838	481,501,072
Net liquidity gap	(144,978,076)	(49,089,684)	(35,710,717)	(15,221,278)	61,907,195	210,705,593	24,974,938	52,587,971

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.3 Liquidity risk (Continued)

61.3.1 Contractual maturity of financial assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (Continued)

The Group 2017	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	41,667,884	–	–	–	–	–	–	41,667,884
Reverse repurchase agreements	5,061,206	1,176,170	131,252	116,059	–	–	–	6,484,687
Deposits and placements with banks and other financial institutions	2,551,402	1,258,616	189,848	55,464	–	–	–	4,055,330
Financial assets held for trading	3,871,560	5,301,788	2,263,558	1,180,410	2,729,503	4,799,253	1,511,140	21,657,212
Financial investments available-for-sale	456,687	1,264,897	1,209,588	2,547,701	13,501,555	11,930,124	1,493,434	32,403,986
Financial investments held-to-maturity	1,492,293	1,278,716	890,543	2,561,168	16,967,171	13,731,324	–	36,921,215
Derivative financial instruments	428,594	1,107,230	1,049,475	809,511	3,457,841	1,595,306	–	8,447,957
Loans, advances and financing	44,705,680	16,171,986	9,764,685	18,220,021	58,180,613	169,514,027	–	316,557,012
Other assets	9,487,582	99,897	336,921	281,679	805,484	1,058,136	77,633	12,147,332
Taxation recoverable	129,072	–	–	–	–	–	–	129,072
Deferred tax assets	–	–	–	–	–	–	386,850	386,850
Statutory deposits with central banks	–	–	–	–	–	–	8,630,454	8,630,454
Investment in associates	–	–	–	–	–	–	76,199	76,199
Investment in joint ventures	–	–	–	–	–	–	183,731	183,731
Property, plant and equipment	–	–	–	–	–	–	1,991,646	1,991,646
Prepaid lease payment	–	–	–	–	–	–	101,913	101,913
Goodwill	–	–	–	–	–	–	8,225,745	8,225,745
Intangible assets	–	–	–	–	–	–	1,820,369	1,820,369
Non-current assets held for sale	–	–	–	–	–	–	4,610,938	4,610,938
Total assets	109,851,960	27,659,300	15,835,870	25,772,013	95,642,167	202,628,170	29,110,052	506,499,532
Liabilities								
Deposits from customers	214,817,569	55,913,536	45,659,588	27,844,358	2,988,248	1,294,978	–	348,518,277
Investment accounts of customers	289,488	524,984	93,291	–	–	–	–	907,763
Deposits and placements of banks and other financial institutions	11,924,181	5,502,469	1,456,411	766,509	102,006	–	–	19,751,576
Repurchase agreements	3,462,901	1,876,936	781,189	1,247	–	–	–	6,122,273
Derivatives financial instruments	549,203	1,234,781	1,148,138	1,338,405	3,181,593	1,299,263	–	8,751,383
Bills and acceptances payable	1,396,346	609,097	434,274	51,217	6,133	680,115	–	3,177,182
Other liabilities	11,387,206	504,828	252,066	270,087	3,967,386	930,240	477,766	17,789,579
Recourse obligation on loans and financing sold to Cagamas	43,086	157,000	–	973,004	3,377,860	644,298	–	5,195,248
Deferred tax liabilities	–	–	–	–	–	–	80,943	80,943
Current tax liabilities	507,940	–	–	–	–	–	–	507,940
Financial liabilities designated at fair value through profit or loss	21,235	6,857	223,276	171,723	1,742,074	2,608,275	–	4,773,440
Bonds, Sukuk and debentures	162,080	199,121	573,304	803,713	10,345,359	2,812,048	–	14,895,625
Other borrowings	1,035,751	1,025,757	1,355,653	1,176,530	5,286,265	177,339	–	10,057,295
Subordinated obligations	103,714	–	24,556	2,048,743	10,169,041	186,911	–	12,532,965
Non-current liabilities held for sale	–	–	–	–	–	–	3,631,608	3,631,608
Total liabilities	245,700,700	67,555,366	52,001,746	35,445,536	41,165,965	10,633,467	4,190,317	456,693,097
Net liquidity gap	(135,848,740)	(39,896,066)	(36,165,876)	(9,673,523)	54,476,202	191,994,703	24,919,735	49,806,435

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.3 Liquidity risk (Continued)

61.3.1 Contractual maturity of financial assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (Continued)

The Company 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	197,548	–	–	–	–	–	–	197,548
Debt instruments at fair value through other comprehensive income	–	–	16,981	–	2,450,090	–	–	2,467,071
Debt instruments at amortised cost	–	26,794	8,701	–	4,173,080	1,189,358	–	5,397,933
Other assets	–	–	–	–	–	–	135,486	135,486
Taxation recoverable	180,853	–	–	–	–	–	–	180,853
Investment in subsidiaries	–	–	–	–	–	–	29,833,969	29,833,969
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	1,703	1,703
Investment properties	–	–	–	–	–	–	399	399
Non-current assets held for sale	–	–	–	–	–	–	7,862	7,862
Total assets	378,401	26,794	25,682	–	6,623,170	1,189,358	29,983,253	38,226,658
Liabilities								
Other liabilities	2,381	–	–	–	–	–	69	2,450
Amount owing to subsidiaries	1,819	–	–	–	–	–	–	1,819
Deferred tax liabilities	–	–	–	–	–	–	374	374
Other borrowings	2,671	–	350,855	–	3,000,000	–	–	3,353,526
Subordinated obligations	–	26,667	1,415,144	–	7,200,000	1,200,000	–	9,841,811
Total liabilities	6,871	26,667	1,765,999	–	10,200,000	1,200,000	443	13,199,980
Net liquidity gap	371,530	127	(1,740,317)	–	(3,576,830)	(10,642)	29,982,810	25,026,678

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.3 Liquidity risk (Continued)

61.3.1 Contractual maturity of financial assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (Continued)

The Company 2017	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	182,809	–	–	–	–	–	–	182,809
Financial investments available-for-sale	–	–	6,405	–	1,426,619	–	–	1,433,024
Financial investments held-to-maturity	–	–	8,264	–	–	3,510,000	–	3,518,264
Other assets	–	–	–	–	–	–	42,195	42,195
Taxation recoverable	109,243	–	–	–	–	–	–	109,243
Investment in subsidiaries	–	–	–	–	–	–	27,052,448	27,052,448
Investment in associates	–	–	–	–	–	–	3,834	3,834
Property, plant and equipment	–	–	–	–	–	–	1,117	1,117
Investment properties	–	–	–	–	–	–	417	417
Non-current assets held for sale	–	–	–	–	–	–	1,038,859	1,038,859
Total assets	292,052	–	14,669	–	1,426,619	3,510,000	28,138,870	33,382,210
Liabilities								
Other liabilities	1,356	–	–	–	–	–	361	1,717
Deferred tax liabilities	–	–	–	–	–	–	361	361
Other borrowings	202,297	–	1,350,816	1,000,000	1,000,000	–	–	3,553,113
Subordinated obligations	–	–	24,556	–	6,880,000	–	–	6,904,556
Total liabilities	203,653	–	1,375,372	1,000,000	7,880,000	–	722	10,459,747
Net liquidity gap	88,399	–	(1,360,703)	(1,000,000)	(6,453,381)	3,510,000	28,138,148	22,922,463

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.3 Liquidity risk (Continued)

61.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
2018								
Non-derivative financial liabilities								
Deposits from customers	**209,204,608**	**64,039,725**	**53,148,305**	**40,986,512**	**6,026,983**	**168,548**	**–**	**373,574,681**
Investment accounts of customers	**718,201**	**887,976**	**171,549**	**1,049**	**–**	**–**	**–**	**1,778,775**
Deposits and placements of banks and other financial institutions	**10,578,842**	**8,147,049**	**952,408**	**575,618**	**101,321**	**–**	**–**	**20,355,238**
Repurchase agreements	**11,665,868**	**2,471,439**	**149,913**	**1,110**	**12,935**	**–**	**–**	**14,301,265**
Bills and acceptances payable	**764,863**	**659,125**	**367,679**	**43,180**	**116,567**	**765,174**	**–**	**2,716,588**
Financial liabilities designated at fair value through profit or loss	**350,405**	**19,040**	**22,029**	**41,217**	**3,325,074**	**2,811,434**	**–**	**6,569,199**
Other liabilities	**6,201,822**	**907,975**	**831,723**	**1,099,967**	**3,472,933**	**925,940**	**581,405**	**14,021,765**
Recourse obligation on loans and financing sold to Cagamas	**29,882**	**1,535,428**	**58,130**	**94,160**	**4,156,870**	**802,825**	**–**	**6,677,295**
Other borrowings	**498,308**	**141,551**	**418,444**	**658,262**	**8,657,306**	**34,507**	**–**	**10,408,378**
Bonds, Sukuk and debentures	**8,674**	**92,841**	**373,605**	**1,713,227**	**9,948,288**	**3,127,353**	**–**	**15,263,988**
Subordinated obligations	**26,298**	**162,522**	**1,769,333**	**896,177**	**12,538,550**	**2,107,125**	**–**	**17,500,005**
Financial guarantees	**2,699,312**	**572,982**	**237,078**	**795,209**	**404,040**	**–**	**2,777,213**	**7,485,834**
Credit related commitments and contingencies	**39,682,043**	**1,344,658**	**1,616,067**	**3,932,197**	**3,944,499**	**22,688,210**	**485,022**	**73,692,696**
	282,429,126	**80,982,311**	**60,116,263**	**50,837,885**	**52,705,366**	**33,431,116**	**3,843,640**	**564,345,707**
2017								
Non-derivative financial liabilities								
Deposits from customers	215,123,953	56,343,383	46,302,665	28,508,977	3,603,734	1,566,156	–	351,448,868
Investment accounts of customers	292,927	526,215	93,713	–	–	–	–	912,855
Deposits and placements of banks and other financial institutions	11,929,351	5,518,546	1,467,225	775,849	102,079	–	–	19,793,050
Repurchase agreements	3,463,798	1,880,235	782,344	4,113	21,352	–	–	6,151,842
Bills and acceptances payable	1,396,454	609,972	438,011	60,528	74,377	773,894	–	3,353,236
Financial liabilities designated at fair value through profit or loss	347,107	21,592	248,285	203,543	1,908,497	2,613,177	–	5,342,201
Other liabilities	10,218,069	510,523	253,748	273,128	4,071,860	937,710	477,766	16,742,804
Recourse obligation on loans and financing sold to Cagamas	47,725	179,781	30,378	1,058,426	3,738,696	823,077	–	5,878,083
Other borrowings	1,048,926	1,059,744	1,392,183	1,253,196	5,908,929	247,704	–	10,910,682
Bonds, Sukuk and debentures	164,728	375,134	678,530	1,017,746	11,538,387	3,063,770	–	16,838,295
Subordinated obligations	105,065	38,478	341,126	2,593,412	12,391,470	353,955	–	15,823,506
Financial guarantees	6,208,388	532,782	42,828	40,279	21,094	–	2,763,737	9,609,108
Credit related commitments and contingencies	50,157,552	1,829,121	1,891,331	4,818,137	3,147,077	25,379,397	467,503	87,690,118
	300,504,043	69,425,506	53,962,367	40,607,334	46,527,552	35,758,840	3,709,006	550,494,648

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.3 Liquidity risk (Continued)

61.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

The Company 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Other liabilities	2,381	–	–	–	–	–	69	2,450
Amount owing to subsidiaries	1,819	–	–	–	–	–	–	1,819
Other borrowings	10,352	18,888	386,951	58,585	3,403,260	–	–	3,878,036
Subordinated obligations	–	46,572	1,604,256	222,126	8,244,973	1,258,720	–	11,376,647
	14,552	65,460	1,991,207	280,711	11,648,233	1,258,720	69	15,258,952

The Company 2017	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Other liabilities	1,356	–	–	–	–	–	361	1,717
Other borrowings	210,026	18,154	1,383,804	1,036,674	1,137,970	–	–	3,786,628
Subordinated obligations	–	–	203,579	198,521	7,691,112	–	–	8,093,212
	211,382	18,154	1,587,383	1,235,195	8,829,082	–	361	11,881,557

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.3 Liquidity risk (Continued)

61.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis.

The Group 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Drivative financial liabilities								
Trading derivatives								
– Foreign exchange derivatives	**(1,188,691)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,188,691)**
– Interest rate derivatives	**(1,829,844)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,829,844)**
– Equity related derivatives	**(147,019)**	**–**	**–**	**–**	**–**	**–**	**–**	**(147,019)**
– Commodity related derivatives	**(968,177)**	**–**	**–**	**–**	**–**	**–**	**–**	**(968,177)**
– Credit related contracts	**(14,617)**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,617)**
– Bond contract	**(49,080)**	**–**	**–**	**–**	**–**	**–**	**–**	**(49,080)**
Hedging derivatives								
– Interest rate derivatives	**(3,680)**	**5,283**	**(7,825)**	**(95,200)**	**(120,039)**	**519,414**	**–**	**297,953**
	(4,201,108)	**5,283**	**(7,825)**	**(95,200)**	**(120,039)**	**519,414**	**–**	**(3,899,475)**

The Group 2017	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Drivative financial liabilities								
Trading derivatives								
– Foreign exchange derivatives	(519,169)	–	–	–	–	–	–	(519,169)
– Interest rate derivatives	(1,726,939)	–	–	–	–	–	–	(1,726,939)
– Equity related derivatives	(122,143)	–	–	–	–	–	–	(122,143)
– Commodity related derivatives	(620,635)	–	–	–	–	–	–	(620,635)
– Credit related contracts	(7,077)	–	–	–	–	–	–	(7,077)
– Bond contract	(15,830)	–	–	–	–	–	–	(15,830)
Hedging derivatives								
– Interest rate derivatives	(39,565)	28,642	(65,904)	(54,230)	(172,878)	(45,592)	–	(349,527)
	(3,051,358)	28,642	(65,904)	(54,230)	(172,878)	(45,592)	–	(3,361,320)

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.3 Liquidity risk (Continued)

61.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The Group's and the Company's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options and cross currency interest rate swaps.

The table below analyses the Group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	(3,543,874)	–	–	–	–	–	–	(3,543,874)
Credit related derivatives	(3,249)	–	–	–	–	–	–	(3,249)
Hedging derivatives								
Foreign exchange derivatives								
– Outflow	(876,360)	(2,405,519)	(1,220,905)	(1,902,780)	(2,339,740)	(530,677)	–	(9,275,981)
– Inflow	873,240	2,400,429	1,229,278	1,708,358	2,282,509	514,732	–	9,008,546
Interest rate derivatives								
– Outflow	(637)	(770)	(705)	(2,121)	(16,612)	(12,952)	–	(33,797)
– Inflow	370	758	1,110	2,269	17,380	12,270	–	34,157
	(3,550,510)	(5,102)	8,778	(194,274)	(56,463)	(16,627)	–	(3,814,198)

The Group 2017	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Drivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	(5,202,004)	–	–	–	–	–	–	(5,202,004)
Hedging derivatives								
Foreign exchange derivatives								
– Outflow	(601,577)	(3,075,275)	(2,429,104)	(293,407)	(3,645,591)	(534,919)	–	(10,579,873)
– Inflow	614,234	3,135,256	2,486,097	303,778	3,481,412	519,689	–	10,540,466
	(5,189,347)	59,981	56,993	10,371	(164,179)	(15,230)	–	(5,241,411)

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation

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

61.4.1 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

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;

- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of market data reasonableness verification;

- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative analysts before submitting to the GMRC for approval;

- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;

- Group Risk Management Quantitative analysts are the guardian of the financial models and valuation methodologies. 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 and/or the Group Market Risk Committee;

- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;

- 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; and

- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

	The Group					The Company				
		Fair Value					Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018										
Recurring fair value measurements										
Financial assets										
Reverse repurchased agreements at fair value through profit or loss	500,134	–	500,134	–	500,134	–	–	–	–	–
Financial assets at fair value through profit or loss										
– Money market instruments	22,988,026	–	22,574,061	413,965	22,988,026	–	–	–	–	–
– Quoted securities	399,986	399,986	–	–	399,986	–	–	–	–	–
– Unquoted securities	6,123,057	–	4,908,353	1,214,704	6,123,057	–	–	–	–	–
Debt instruments at fair value through other comprehensive income										
– Money market instruments	6,380,101	–	6,380,101	–	6,380,101	–	–	–	–	–
– Unquoted securities	25,896,203	–	25,896,202	1	25,896,203	2,467,071	–	2,467,071	–	2,467,071
Equity instruments at fair value through other comprehensive income										
– Quoted securities	47,306	47,306	–	–	47,306	–	–	–	–	–
– Unquoted securities	536,218	–	177,036	359,182	536,218	–	–	–	–	–
Derivative financial instruments										
– Trading derivatives	8,522,983	17,150	8,289,553	216,280	8,522,983	–	–	–	–	–
– Hedging derivatives	111,650	–	111,650	–	111,650	–	–	–	–	–
Loans, advances and financing at fair value through profit or loss	803,681	–	803,681	–	803,681	–	–	–	–	–
Total	72,309,345	464,442	69,640,771	2,204,132	72,309,345	2,467,071	–	2,467,071	–	2,467,071
Recurring fair value measurements										
Financial liabilities										
Derivative financial instruments										
– Trading derivatives	7,744,551	531,062	7,104,345	109,144	7,744,551	–	–	–	–	–
– Hedging derivatives	663,430	–	663,430	–	663,430	–	–	–	–	–
Financial liabilities designated at fair value through profit or loss	5,880,707	–	5,880,707	–	5,880,707	–	–	–	–	–
Total	14,288,688	531,062	13,648,482	109,144	14,288,688	–	–	–	–	–

Notes to the Financial Statements
for the financial year ended 31 December 2018

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy: (Continued)

	The Group					The Company				
		Fair Value					Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017										
Recurring fair value measurements										
Financial assets										
Financial assets held for trading										
– Money market instruments	13,885,908	–	13,885,908	–	13,885,908	–	–	–	–	–
– Quoted securities	2,580,218	2,290,879	289,339	–	2,580,218	–	–	–	–	–
– Unquoted securities	5,191,086	–	5,026,843	164,243	5,191,086	–	–	–	–	–
Financial investments available-for-sale										
– Money market instruments	2,401,517	–	2,401,517	–	2,401,517	–	–	–	–	–
– Quoted securities	7,733,589	4,367,944	3,365,645	–	7,733,589	–	–	–	–	–
– Unquoted securities	22,268,880	–	20,914,524	1,354,356	22,268,880	1,433,024	–	1,433,024	–	1,433,024
Derivative financial instruments										
– Trading derivatives	8,207,833	122,342	8,029,095	56,396	8,207,833	–	–	–	–	–
– Hedging derivatives	240,124	–	240,124	–	240,124	–	–	–	–	–
Total	62,509,155	6,781,165	54,152,995	1,574,995	62,509,155	1,433,024	–	1,433,024	–	1,433,024
Recurring fair value measurements										
Financial liabilities										
Derivative financial instruments										
– Trading derivatives	8,213,797	157,099	8,032,594	24,104	8,213,797	–	–	–	–	–
– Hedging derivatives	537,586	–	537,586	–	537,586	–	–	–	–	–
Financial liabilities designated at fair value through profit or loss	4,773,440	–	4,378,382	395,058	4,773,440	–	–	–	–	–
Total	13,524,823	157,099	12,948,562	419,162	13,524,823	–	–	–	–	–

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2018 and 31 December 2017 for the Group:

	Financial Assets							Financial Liabilities		
	Financial assets at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial assets held for trading	Financial investments available for-sale	Derivative financial instruments		Financial liabilities designated at fair value through profit or loss	Derivative financial instruments	
The Group 2018	Money Market instruments and Unquoted securities RM'000	Unquoted securities RM'000	Unquoted securities RM'000	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000	Total RM'000	RM'000	Trading derivatives RM'000	Total RM'000
At 1 January	–	–	–	164,243	1,354,356	56,396	1,574,995	(395,058)	(24,104)	(419,162)
Effect of adopting MFRS 9	1,211,452	1,502	305,645	(164,243)	(1,354,356)	–	–	–	–	–
At 1 January, as restated	1,211,452	1,502	305,645	–	–	56,396	1,574,995	(395,058)	(24,104)	(419,162)
Total gains/(losses) recognised in statement of income	29,438	–	–	–	–	155,651	185,089	(127,879)	(109,911)	(237,790)
Total gains recognised in other comprehensive income	–	–	52,480	–	–	–	52,480	–	–	–
Purchases	405,598	–	743	–	–	111,947	518,288	–	(76,254)	(76,254)
Sales and redemption	(35,917)	(1,507)	(10,063)	–	–	–	(47,487)	–	–	–
Settlements	–	–	–	–	–	(109,352)	(109,352)	522,937	102,048	624,985
Exchange fluctuation	18,098	6	10,377	–	–	1,638	30,119	–	(923)	(923)
At 31 December	1,628,669	1	359,182	–	–	216,280	2,204,132	–	(109,144)	(109,144)
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December under:										
– net non-interest income	29,438	–	–	–	–	155,651	185,089	(120,525)	(109,911)	(230,436)
– interest expense	–	–	–	–	–	–	–	(7,354)	–	(7,354)
Total gains recognised in Other Comprehensive Income for financial year ended 31 December under "revaluation reserves"	–	–	52,480	–	–	–	52,480	–	–	–
Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under "net non-interest income"	28,346	–	–	–	–	99,751	128,097	–	(11,714)	(11,714)

Notes to the Financial Statements
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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2018 and 31 December 2017 for the Group: (Continued)

	Financial Assets				Financial Liabilities		
	Financial assets held for trading	Financial investments available-for-sale	Derivative financial instruments		Financial liabilities designated at fair value through profit or loss	Derivative financial instruments	
The Group 2017	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000	Total RM'000	RM'000	Trading derivatives RM'000	Total RM'000
At 1 January	178,451	1,328,539	96,182	1,603,172	(386,462)	(140,510)	(526,972)
Total gains/(losses) recognised in statement of income	3,136	(6,572)	(38,693)	(42,129)	(32,607)	64,662	32,055
Total gains recognised in other comprehensive income	–	76,463	–	76,463	–	–	–
Purchases	–	27,412	36,054	63,466	–	(44,016)	(44,016)
Sales and redemption	–	(38,358)	–	(38,358)	–	–	–
Settlements	–	–	(36,621)	(36,621)	24,011	95,329	119,340
Exchange fluctuation	(17,344)	(33,128)	(526)	(50,998)	–	431	431
At 31 December	164,243	1,354,356	56,396	1,574,995	(395,058)	(24,104)	(419,162)
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December under:							
– net non-interest income	3,136	(6,094)	(38,693)	(41,651)	(15,465)	64,662	49,197
– interest expense	–	–	–	–	(17,142)	–	(17,142)
– allowances for other impairment losses	–	(478)	–	(478)	–	–	–
Total gains recognised in Other Comprehensive Income for financial year ended 31 December under "revaluation reserves"	–	76,463	–	76,463	–	–	–
Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under "net non-interest income"	3,136	–	2,577	5,713	(15,465)	18,127	2,662

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.2 Financial instruments not measured at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's and the Company's assets and liabilities not measured at fair value at 31 December 2018 and 31 December 2017, but for which fair value is disclosed:

	The Group	The Group Fair Value				The Company	The Company Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018										
Financial assets										
Cash and short-term funds	35,528,934	29,335,795	6,193,139	–	35,528,934	197,548	197,548	–	–	197,548
Reverse repurchase agreements at amortised cost	10,775,955	–	10,779,802	–	10,779,802	–	–	–	–	–
Deposits and placement with banks and other financial institutions	4,373,818	–	4,373,818	–	4,373,818	–	–	–	–	–
Debt instruments at amortised cost	39,269,202	2,774,842	36,612,019	–	39,386,861	5,397,933	–	5,454,119	–	5,454,119
Loans, advances and financing at amortised cost	336,344,587	–	279,297,004	51,841,349	331,138,353	–	–	–	–	–
Other assets	12,206,211	–	12,128,854	–	12,128,854	135,486	–	135,486	–	135,486
Total	438,498,707	32,110,637	349,384,636	51,841,349	433,336,622	5,730,967	197,548	5,589,605	–	5,787,153
Financial liabilities										
Deposits from customers	370,193,085	–	370,213,348	–	370,213,348	–	–	–	–	–
Investment accounts of customers	1,769,270	–	1,769,270	–	1,769,270	–	–	–	–	–
Deposits and placements of banks and other financial institutions	20,232,880	–	20,216,359	–	20,216,359	–	–	–	–	–
Repurchase agreements	14,279,476	–	14,274,880	–	14,274,880	–	–	–	–	–
Bills and acceptances payable	2,521,372	–	2,521,372	–	2,521,372	–	–	–	–	–
Other liabilities	15,047,292	–	15,047,748	–	15,047,748	2,450	–	2,450	–	2,450
Recourse obligation on loans and financing sold to Cagamas	6,007,447	–	6,069,580	–	6,069,580	–	–	–	–	–
Bonds, Sukuk and debentures	13,715,181	–	13,768,111	–	13,768,111	–	–	–	–	–
Other borrowings	9,306,640	–	9,462,946	–	9,462,946	3,353,526	–	3,815,371	–	3,815,371
Subordinated obligations	13,482,272	–	13,739,377	–	13,739,377	9,841,811	–	9,977,322	–	9,977,322
Amount owing to subsidiaries	–	–	–	–	–	1,819	–	1,819	–	1,819
Total	466,554,915	–	467,082,991	–	467,082,991	13,199,606	–	13,796,962	–	13,796,962

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61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.2 Financial instruments not measured at fair value but for which fair value is disclosed (Continued)

The following table analyses within the fair value hierarchy the Group's and the Company's assets and liabilities not measured at fair value at 31 December 2018 and 31 December 2017, but for which fair value is disclosed: (Continued)

		The Group Fair Value					The Company Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017										
Financial assets										
Cash and short-term funds	41,667,884	34,349,550	7,318,334	–	41,667,884	182,809	182,809	–	–	182,809
Reverse repurchase agreements	6,484,687	–	6,484,327	–	6,484,327	–	–	–	–	–
Deposits and placement with banks and other financial institutions	4,055,330	–	4,055,330	–	4,055,330	–	–	–	–	–
Financial investments held-to-maturity	36,921,215	2,395,833	34,765,601	–	37,161,434	3,518,264	–	3,549,437	–	3,549,437
Loans, advances and financing	316,557,012	–	257,600,315	55,837,818	313,438,133	–	–	–	–	–
Other assets	12,147,332	–	12,181,242	–	12,181,242	42,195	–	42,195	–	42,195
Total	417,833,460	36,745,383	322,405,149	55,837,818	414,988,350	3,743,268	182,809	3,591,632	–	3,774,441
Financial liabilities										
Deposits from customers	348,518,277	–	348,439,530	–	348,439,530	–	–	–	–	–
Investment accounts of customers	907,763	–	907,763	–	907,763	–	–	–	–	–
Deposits and placements of banks and other financial institutions	19,751,576	–	19,739,136	–	19,739,136	–	–	–	–	–
Repurchase agreements	6,122,273	–	6,119,474	–	6,119,474	–	–	–	–	–
Bills and acceptances payable	3,177,182	–	3,177,703	–	3,177,703	–	–	–	–	–
Other liabilities	17,789,579	–	17,781,893	–	17,781,893	1,717	–	1,717	–	1,717
Recourse obligation on loans and financing sold to Cagamas	5,195,248	–	5,256,535	–	5,256,535	–	–	–	–	–
Bonds, Sukuk and debentures	14,895,625	–	14,885,849	–	14,885,849	–	–	–	–	–
Other borrowings	10,057,295	–	10,217,032	–	10,217,032	3,553,113	–	3,727,758	–	3,727,758
Subordinated obligations	12,532,965	–	12,820,556	–	12,820,556	6,904,556	–	7,036,399	–	7,036,399
Total	438,947,783	–	439,345,471	–	439,345,471	10,459,386	–	10,765,874	–	10,765,874

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.2 Financial instruments not measured at fair value but for which fair value is disclosed (Continued)

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions

For short-term funds, placements with financial institutions and reverse repurchase agreements with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Debt instruments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Other assets

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual impairment allowance, being the expected recoverable amount.

Amount due (to)/from subsidiaries and related companies

The estimated fair values of the amount due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Investment accounts of customers

The estimated fair values of investment accounts of customers with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

Obligations on securities sold under repurchase agreements

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.2 Financial instruments not measured at fair value but for which fair value is disclosed (Continued)

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Recourse obligation on loans and financing sold to Cagamas

The estimated fair values of loans and financing sold to Cagamas with maturities of less than six months approximate the carrying values. For loans and financing sold to Cagamas with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for loans and financing sold to Cagamas with similar risk profile.

Bonds, Sukuk and debentures and other borrowings

The estimated fair values of bonds, Sukuk and debentures and other borrowings with maturities of less than six months approximate the carrying values. For bonds, Sukuk and debentures and other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

Subordinated obligations

The fair values for the quoted subordinated obligations are obtained from quoted market prices while the fair values for unquoted subordinated obligations are estimated based on discounted cash flow models.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

61.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Certain credit derivatives products where valuation inputs are unobservable are valued using analytic / semi-analytic pricing models that model credit default with other market variables such as foreign exchange ("FX") rates in a mathematically and theoretically consistent framework. These valuation models are the usual market standard used in credit derivatives pricing.

Credit derivatives inputs deemed to trigger Level 3 classification:
- Credit correlation between the underlying debt instruments
- Correlation between Credit and FX

Actual transactions, where available, are used to regularly recalibrate such unobservable parameters.

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for performing sensitivity analysis to determine such reserves:

- Credit correlation (reserve on a Level 3 input) –
  1. Long correlation positions will be shocked with lower correlation
  2. Short correlation positions will be shocked with higher correlation

- Credit and FX correlation (reserve on a Level 3 input) –
  1. Short Quanto CDS position shocked with larger negative correlation
  2. Long Quanto CDS position shocked with larger positive correlation

- FX Volatility (reserve on valuation model) –
  1. Long volatility shocked with lower volatility
  2. Short volatility shocked with higher volatility

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations.

These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e. volatility derived from the shares' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Higher volatility will result in lower fair value for net short positions.

The fair values of structured deposits are typically valued using valuation techniques that incorporate observable market inputs. Certain credit linked structured deposits are fair valued using Level 3 inputs as the internal deposit rates of the relevant tenures are not observable.

(a) Financial instruments carried at fair value

The Group

2018 Description	Fair value Assets RM'000	Fair value (Liabilities) RM'000	Valuation technique(s)	Unobservable input	Range (Weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments						
– Trading derivatives						
Credit derivatives	**917**	**(429)**	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit Default/FX Correlation	–55.00% to –1.60%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
Equity derivatives	**215,363**	**(108,715)**	Option pricing	Equity Volatility	11.42% to 215.44%	Higher volatility results in higher/lower fair value depending on the net long/short positions
Financial assets at fair value through profit or loss						
Promissory notes	**413,965**	**Not applicable**	Weighted probability valuation based on market comparables and discounted cash flow	Estimated revenue of underlying asset, discount factor and probability assigned to each cash flows	Not applicable	Higher estimated revenue and lower discount factor would results in higher valuation. Probability assigned would result in higher/lower fair value depending on the amount of cash flows generated for each cash flows.
Unquoted shares and private equity funds	**1,214,704**	**Not applicable**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Debt instruments at fair value through other comprehensive income						
Unquoted shares and private equity funds	**1**	**Not applicable**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Equity instruments at fair value through other comprehensive income						
Unquoted shares and private equity funds	**359,182**	**Not applicable**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value

Notes to the Financial Statements
for the financial year ended 31 December 2018

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

(a) Financial instruments carried at fair value (Continued)

The Group

2017 Description	Fair value Assets RM'000	Fair value (Liabilities) RM'000	Valuation technique(s)	Unobservable input	Range (Weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments – Trading derivatives						
Credit derivatives	725	(464)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit Default/FX Correlation	–55.00% to –8.48%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
Fund derivatives	620	(2,917)	Option pricing	Fund Volatility	1.00% to 3.33%	Higher volatility results in lower fair value based on a net short fund option position
Equity derivatives	55,051	(20,723)	Option pricing	Equity Volatility	7.45% to 96.41%	Higher volatility results in higher/lower fair value depending on the net long/short positions
Financial assets held for trading Unquoted shares and private equity funds	164,243	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments available-for-sale Unquoted shares and private equity funds	1,354,356	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial liabilities designated at fair value Credit linked structured deposits	Not applicable	(395,058)	Discounted cash flow	Internal deposit rates	1.26% to 3.57%	Higher internal deposit rates results in decrease in fair value measurement

61 FINANCIAL RISK MANAGEMENT (CONTINUED)

61.4 Fair value estimation (Continued)

61.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

(a) Financial instruments carried at fair value (Continued)

Sensitivity analysis for level 3

The Group 2018	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Profit or loss	
		Favorable changes RM'000	Unfavorable changes RM'000
Derivative financial instruments - trading			
– Credit derivatives	+10%	3	–
	–10%	–	(4)
– Equity derivatives	+25%	6,391	–
	–25%	–	(7,557)
Financial assets at fair value through profit or loss			
– Promissory notes	+10%	20,566	–
	–10%	–	(14,795)
Total		26,960	(22,356)

The Group 2017	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Profit or loss	
		Favorable changes RM'000	Unfavorable changes RM'000
Derivative financial instruments – trading			
– Credit derivatives	+10%	–^	–
	–10%	–	–^^
– Fund derivatives	+25%	–	(770)
	–25%	756	–
– Equity derivatives	+25%	7,651	–
	–25%	–	(6,771)
Financial liabilities designated at fair value through profit or loss			
– Credit linked structured deposits	+1%	947	–
	–1%	–	(947)
Total		9,354	(8,488)

^ *Denoted favourable changes of RM150*
^^ *Denoted unfavourable changes of RM190*

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING

Statement of Financial Position as at 31 December 2018

	Note	2018 RM'000	2017 RM'000
Assets			
Cash and short-term funds	(a)	**12,595,979**	14,672,304
Deposits and placements with banks and other financial institutions	(b)	**1,748,523**	2,456,177
Financial assets at fair value through profit or loss	(c)	**3,033,103**	–
Debt instruments at fair value through other comprehensive income	(d)	**3,499,105**	–
Equity instruments at fair value through other comprehensive income	(e)	**575**	–
Debt instruments at amortised cost	(f)	**6,959,658**	–
Financial assets held for trading	(g)	**–**	3,547,420
Islamic derivative financial instruments	(h)(i)	**599,095**	662,899
Financial investments available-for-sale	(i)	**–**	2,707,721
Financial investments held-to-maturity	(j)	**–**	5,241,403
Financing, advances and other financing/loans	(k)	**84,026,755**	67,914,990
Other assets	(l)	**2,477,919**	1,417,469
Deferred tax assets	(m)	**81,882**	17,917
Amount due from conventional operations		**3,747,396**	2,506,840
Statutory deposits with Bank Negara Malaysia	(n)	**2,076,422**	1,554,286
Property, plant and equipment	(o)	**4,841**	8,790
Goodwill	(p)	**136,000**	136,000
Intangible assets	(q)	**71,895**	79,584
Total assets		**121,059,148**	102,923,800
Liabilities			
Deposits from customers	(r)	**86,851,108**	74,879,644
Investment accounts of customers	(s)	**1,769,270**	907,763
Deposits and placements of banks and other financial institutions	(t)	**3,164,963**	1,897,975
Investment accounts due to designated financial institutions	(u)	**8,216,809**	8,145,684
Financial liabilities designated at fair value through profit or loss	(v)	**21,918**	2,233
Islamic derivative financial instruments	(h)(i)	**628,361**	707,081
Bills and acceptances payable		**27,428**	–
Other liabilities	(w)	**4,675,622**	4,443,630
Recourse obligation on loans and financing sold to Cagamas	(x)	**1,915,503**	2,072,300
Amount due to conventional operations		**4,326,549**	1,208,445
Provision for taxation	(y)	**418,954**	56,012
Sukuk	(z)	**358,265**	463,257
Other borrowings	(aa)	**28,604**	246,633
Subordinated Sukuk	(ab)	**615,033**	615,006
		113,018,387	95,645,663
Non-current liabilities held for sale		**143**	–
Total liabilities		**113,018,530**	95,645,663

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Financial Position as at 31 December 2018 (Continued)

	Note	2018 RM'000	2017 RM'000
Equity			
Islamic banking funds		**55,696**	55,696
Ordinary share capital	(ac)	**1,000,000**	1,000,000
Perpetual preference shares	(ac)	**220,000**	220,000
Reserves	(ad)	**6,727,382**	5,976,274
		8,003,078	7,251,970
Non-controlling interests		**37,540**	26,167
Total equity		**8,040,618**	7,278,137
Total equity and liabilities		**121,059,148**	102,923,800
Restricted Agency Investment Account(*)	(ae)	**6,230,998**	–
Total Islamic Banking Assets		**127,290,146**	102,923,800
Commitments and contingencies	(h)(ii)	**63,635,666**	57,491,224

Statement of Income for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Income derived from investment of depositors' funds and others	(af)	**4,205,758**	3,611,871
Income derived from investment of investment account	(ag)	**555,563**	252,057
Net income derived from investment of shareholders' funds	(ah)	**560,828**	403,380
Expected credit loss/allowance on financing, advances and other financing/loans	(ai)	**(250,738)**	(171,693)
Expected credit losses for commitments and contingencies		**(8,277)**	–
Other expected credit losses/allowances written back/(made) for other impairment losses	(aj)	**776**	(29)
Total distributable income		**5,063,910**	4,095,586
Income attributable to depositors and others	(ak)	**(2,668,144)**	(2,152,295)
Profit distributed to investment account holder	(al)	**(438,686)**	(188,508)
Total net income		**1,957,080**	1,754,783
Personnel expenses	(am)	**(64,726)**	(66,751)
Other overheads and expenditures	(an)	**(617,484)**	(548,298)
Profit before taxation and zakat		**1,274,870**	1,139,734
Taxation and zakat	(ao)	**(193,333)**	(184,593)
Profit for the financial year		**1,081,537**	955,141
Profit attributable to:			
Owners of the Parent		**1,069,765**	943,338
Non-controlling interests		**11,772**	11,803
		1,081,537	955,141

* *The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 2 February 2018*

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Comprehensive Income for the financial year ended 31 December 2018

	2018 RM'000	2017 RM'000
Profit for the financial year	**1,081,537**	955,141
Other comprehensive (expense)/income:		
Items that will not be reclassified subsequently to profit or loss		
Equity instruments at fair value through other comprehensive income	**(130)**	–
– Net loss from change in fair value	**(130)**	–
Items that may be reclassified subsequently to profit or loss		
Revaluation reserve-financial investments available-for-sale	**–**	16,120
– Net gain from change in fair value	**–**	21,018
– Realised gain transferred to statement of income on disposal	**–**	(4,621)
– Income tax effects	**–**	(1,523)
– Currency translation difference	**–**	1,246
Debt instruments at fair value through other comprehensive income	**(3,359)**	–
– Net gain/loss from change in fair value	**5,473**	–
– Realised gain transferred to statement of income on disposal	**(7,456)**	–
– Changes in expected credit losses	**563**	–
– Income tax effects	**(1,939)**	–
Exchange fluctuation reserve	**(4,716)**	(20,120)
Other comprehensive expense for the financial year, net of tax	**(8,205)**	(4,000)
Total comprehensive income for the financial year	**1,073,332**	951,141
Total comprehensive income attributable to:		
Owners of the Parent	**1,061,959**	940,625
Non-controlling interests	**11,373**	10,516
	1,073,332	951,141
Income from Islamic Banking operations:		
Total net income	**1,957,080**	1,754,783
Add: Expected credit losses/allowance on financing, advances and other financing/loans	**250,738**	171,693
Add: Expected credit losses for commitments and contingencies	**8,277**	–
Add: Other expected credit losses/allowances (written back)/made for other impairment losses	**(776)**	29
	2,215,319	1,926,505
Elimination for transaction with conventional operations	**394,842**	205,308
	2,610,161	2,131,813

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Changes in Equity for the financial year ended 31 December 2018

	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Statutory reserve RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
2018														
At 1 January 2018	1,000,000	220,000	55,696	-	-	-	(7,000)	(9,153)	291,600	766	5,700,061	7,251,970	26,167	7,278,137
– effect of adopting MFRS 9	-	-	-	-	(5,342)	130	7,000	-	(45,635)	-	(175,201)	(219,048)	-	(219,048)
At 1 January 2018, as restated	1,000,000	220,000	55,696	-	(5,342)	130	-	(9,153)	245,965	766	5,524,860	7,032,922	26,167	7,059,089
Net profit for the financial year	-	-	-	-	-	-	-	-	-	-	1,069,765	1,069,765	11,772	1,081,537
Other comprehensive expense (net of tax)	-	-	-	-	(3,359)	(130)	-	(4,317)	-	-	-	(7,806)	(399)	(8,205)
– debt instruments at fair value through other comprehensive income	-	-	-	-	(3,359)	-	-	-	-	-	-	(3,359)	-	(3,359)
– equity instruments at fair value through other comprehensive income	-	-	-	-	-	(130)	-	-	-	-	-	(130)	-	(130)
Currency translation difference	-	-	-	-	-	-	-	(4,317)	-	-	-	(4,317)	(399)	(4,716)
Total comprehensive (expense)/income for the financial year	-	-	-	-	(3,359)	(130)	-	(4,317)	-	-	1,069,765	1,061,959	11,373	1,073,332
Interim dividend paid in respect of financial year ended 31 December 2017	-	-	-	-	-	-	-	-	-	-	(92,000)	(92,000)	-	(92,000)
Share-based payment expense	-	-	-	-	-	-	-	-	-	197	-	197	-	197
Transfer from regulatory reserve	-	-	-	-	-	-	-	-	99,711	-	(99,711)	-	-	-
At 31 December 2018	1,000,000	220,000	55,696	-	(8,701)	-	-	(13,470)	345,676	963	6,402,914	8,003,078	37,540	8,040,618

	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interestss RM'000	Total RM'000
2017												
At 1 January 2017	1,000,000	220,000	55,696	1,097,655	(23,120)	9,680	201,344	580	3,804,868	6,366,703	15,651	6,382,354
Net profit for the financial year	–	–	–	–	–	–	–	–	943,338	943,338	11,803	955,141
Other comprehensive income (net of tax)	–	–	–	–	16,120	(18,833)	–	–	–	(2,713)	(1,287)	(4,000)
Financial investments available-for-sale	–	–	–	–	16,120	–	–	–	–	16,120	–	16,120
Currency translation difference	–	–	–	–	–	(18,833)	–	–	–	(18,833)	(1,287)	(20,120)
Total comprehensive income for the financial year	–	–	–	–	16,120	(18,833)	–	–	943,338	940,625	10,516	951,141
Interim dividend paid in respect of financial year ended 31 December 2016	–	–	–	–	–	–	–	–	(57,000)	(57,000)	–	(57,000)
Share-based payment expense	–	–	–	–	–	–	–	745	–	745	–	745
Transfer from statutory reserve	–	–	–	(1,097,655)	–	–	–	–	1,097,655	–	–	–
Transfer to regulatory reserve	–	–	–	–	–	–	90,256	–	(90,256)	–	–	–
Transfer to conventional	–	–	–	–	–	–	–	–	1,456	1,456	–	1,456
Shares released under Equity Ownership Plan	–	–	–	–	–	–	–	(559)	–	(559)	–	(559)
At 31 December 2017	1,000,000	220,000	55,696	–	(7,000)	(9,153)	291,600	766	5,700,061	7,251,970	26,167	7,278,137

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Cash Flows for the financial year ended 31 December 2018

	2018 RM'000	2017 RM'000
Operating activities		
Profit before taxation and zakat	**1,274,870**	1,139,734
Adjustments for:		
Depreciation of property, plant and equipment	**4,688**	7,171
Amortisation of intangible assets	**10,042**	8,443
Net unrealised gain on revaluation of financial assets held for trading	**–**	(13,026)
Net unrealised loss/(gain) on derivatives	**22,076**	(7,037)
Accretion of discount less amortisation of premium	**(84,150)**	(98,436)
Net gain from sale of debt instruments at fair value through other comprehensive income	**(7,456)**	–
Profit income from debt instruments at amortised cost	**(279,838)**	–
Profit income on debt instruments at fair value through other comprehensive income	**(122,233)**	–
Net gain from sale of financial investments available-for-sale	**–**	(4,621)
Profit income from financial investments held-to-maturity	**–**	(202,451)
Profit income from financial investments available-for-sale	**–**	(88,688)
Profit expense on Subordinated Sukuk	**32,131**	27,359
Profit expense on Sukuk	**13,972**	18,390
Profit expense on recourse obligation on loans and financing sold to Cagamas	**84,259**	59,912
Share-based payment expense	**197**	745
Unrealised (gain)/loss from financial liabilities designated at fair value through profit or loss	**(406)**	52
Unrealised loss from financial assets at fair value through profit or loss	**567**	–
Net loss/(gain) from foreign exchange transactions	**45,207**	(127,344)
Expected credit losses for commitments and contingencies made	**8,277**	–
Net loss from hedging derivatives	**2,248**	1,305
Net loss from sale of debt instruments at fair value through other comprehensive income	**3,359**	–
Expected credit losses/allowance (written back)/made for other impairment	**(776)**	29
Expected credit losses/allowance made for impairment losses on financing, advances and other financing/loans	**316,384**	231,890
	1,323,418	953,427
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	**706,143**	(1,694,306)
Financial assets held for trading	**–**	(486,020)
Financial assets at fair value through profit or loss	**710,350**	–
Islamic derivative financial instruments	**(39,240)**	(49,324)
Financing, advances and other financing/loans	**(16,624,597)**	(13,233,351)
Statutory deposits with Bank Negara Malaysia	**(522,136)**	(169,427)
Other assets	**(721,471)**	338,598
Amount due from conventional operations	**(1,240,556)**	2,529,185
	(17,731,507)	(12,764,645)
Increase/(decrease) in operating liabilities		
Deposits from customers	**11,971,464**	15,077,300
Deposits and placements of banks and other financial institutions	**1,266,988**	(366,952)
Other liabilities	**111,070**	(308,060)
Financial liabilities designated at fair value through profit or loss	**20,091**	–
Bills & acceptance payable	**27,428**	–
Amount due to conventional operations	**3,118,104**	(336,811)
Investment accounts of customers	**932,632**	4,887,028
	17,447,777	18,952,505
Cash flows (used in)/generated from operations	**1,039,688**	7,141,287
Taxation and zakat paid	**(199,606)**	(169,777)
Net cash flows (used in)/generated from operating activities	**840,082**	6,971,510

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Cash Flows for the financial year ended 31 December 2018 (Continued)

	Note	2018 RM'000	2017 RM'000
Investing activities			
Net purchase of financial investments available-for-sale		–	(743,294)
Purchase of property, plant and equipment		(1,885)	(2,986)
Purchase of intangible assets		(2,345)	(6,178)
Profit income from debt instruments at fair value through other comprehensive income		88,306	–
Profit income from debt instruments at amortised cost		317,496	–
Net purchase of financial investments held-to-maturity		–	(1,360,987)
Profit income from financial investments held-to-maturity		–	160,880
Profit income from financial investments available-for-sale		–	96,146
Net purchase of debt instruments at fair value through other comprehensive income		(852,375)	–
Net purchase of debt instruments at amortised cost		(1,758,256)	–
Net cash flows used in investing activities		(2,209,059)	(1,856,419)
Financing activities			
Proceeds from issuance of recourse obligation on loans and financing sold to Cagamas (i)		–	1,157,000
Proceeds from issuance of subordinated sukuk (i)		–	300,000
Proceeds from issuance of other borrowings (i)		28,604	88,380
Repayment of other borrowing (i)		(235,978)	–
Profit expense paid on subordinated Sukuk (i)		(32,105)	(30,586)
Profit expense paid on Sukuk (i)		(14,964)	(18,621)
Profit expense paid on recourse obligation on loans and financing sold to Cagamas (i)		(84,062)	(52,502)
Profit expense paid on other borrowings (i)		(2,546)	(3,497)
Dividends paid		(92,000)	(57,000)
Issuance of Sukuk (i)		–	1,000
Redemption of Sukuk (i)		(104,000)	(124,000)
Repayment of subordinated Sukuk (i)		–	(300,000)
Repayment of recourse obligation on loans and financing sold to Cagamas (i)		(156,994)	(445,500)
Net cash flows (used in)/generated from financing activities		(694,045)	514,674
Net (decrease)/increase in cash and cash equivalents		(2,063,022)	5,629,765
Cash and cash equivalents at beginning of financial year		14,672,304	9,110,838
Effect of exchange rate changes		(13,303)	(68,299)
Cash and cash equivalents at end of financial year		12,595,979	14,672,304
Cash and cash equivalents comprise:			
Cash and short-term funds	(a)	12,595,979	14,672,304

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of Cash Flows for the financial year ended 31 December 2018 (Continued)

(i) An analysis of debt movements for the financial year ended 31 December 2018 is as follows:

	Sukuk RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Subordinated Sukuk RM'000	Other borrowings RM'000	Total RM'000
At 1 January 2018	**463,257**	**2,072,300**	**615,006**	**246,633**	**3,397,196**
Proceeds from issuance	**–**	**–**	**–**	**28,604**	**28,604**
Repayment and redemption	**(104,000)**	**(156,994)**	**–**	**(235,978)**	**(496,972)**
Profit expense paid	**(14,964)**	**(84,062)**	**(32,105)**	**(2,546)**	**(133,677)**
Exchange fluctuation	**–**	**–**	**–**	**(8,109)**	**(8,109)**
Other non cash movement	**13,972**	**84,259**	**32,132**	**–**	**130,363**
At 31 December 2018	**358,265**	**1,915,503**	**615,033**	**28,604**	**2,917,405**
At 1 January 2017	586,488	1,353,390	617,563	183,511	2,740,952
Proceeds from issuance	1,000	1,157,000	300,000	88,380	1,546,380
Repayment and redemption	(124,000)	(445,500)	(300,000)	–	(869,500)
Profit expense paid	(18,621)	(52,502)	(30,586)	(3,497)	(105,206)
Exchange fluctuation	–	–	–	(21,761)	(21,761)
Other non cash movement	18,390	59,912	28,029	–	106,331
At 31 December 2017	463,257	2,072,300	615,006	246,633	3,397,196

(a) Cash and short-term funds

	2018 RM'000	2017 RM'000
Cash and balances with banks and other financial institutions	**2,438,967**	3,461,425
Money at call and deposit placements maturing within one month	**10,157,032**	11,210,879
	12,595,999	14,672,304
Less: Expected credit loss	**(20)**	–
	12,595,979	14,672,304

(b) Deposits and placements with banks and other financial institutions

	2018 RM'000	2017 RM'000
Licensed banks	**1,748,688**	2,456,177
	1,748,688	2,456,177
Less: Expected credit loss	**(165)**	–
	1,748,523	2,456,177

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(c) Financial assets at fair value through profit or loss

	2018 RM'000	2017 RM'000
Money market instruments:		
Unquoted		
Islamic negotiable instruments of deposit	2,780,790	–
Government Investment Issues	91,571	–
Islamic Commercial Paper	9,603	–
	2,881,964	–
Quoted securities:		
Outside Malaysia:		
Corporate Sukuk	26	–
	26	–
Unquoted securities:		–
In Malaysia:		
Corporate Sukuk	43,380	–
Outside Malaysia:		
Private equity and unit trusts funds	107,733	–
	151,113	–
	3,033,103	–

(d) Debt instruments at fair value through other comprehensive income

	2018 RM'000	2017 RM'000
Fair value		
Money market instruments:		
Unquoted		
Malaysian Government Securities	5,062	–
Islamic Cagamas bonds	66,607	–
Government Investment Issues	762,319	–
Islamic Commercial Paper	24,271	–
	858,259	–
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	1,874,637	–
Others	99,288	–
	1,973,925	–
Outside Malaysia:		
Corporate Sukuk	345,144	–
Other Government bonds	321,777	–
	666,921	
	2,640,846	–
	3,499,105	–

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Debt instruments at fair value through other comprehensive income (Continued)

Expected credit losses movement for debt instruments at fair value through other comprehensive income:

The following expected credit losses is not recognised in the statement of financial position as the carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value.

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired RM'000	Lifetime expected credit losses - Credit impaired RM'000	Total RM'000
Debt instruments at fair value through other comprehensive income				
At 1 January 2018	–	–	–	–
Effect of adopting MFRS 9	570	–	–	570
Adjusted 1 January 2018	570	–	–	570
Changes in expected credit losses due to transferred within stages:	7,445	(7,445)	–	–
Transferred to Stage 1	7,446	(7,446)	–	–
Transferred to Stage 2	(1)	1	–	–
Total charge to Income Statement:	(6,882)	7,445	–	563
New financial assets purchased	4,817	–	–	4,817
Financial assets that have been derecognised	(587)	–	–	(587)
Change in credit risk	(11,112)	7,445	–	(3,667)
At 31 December 2018	1,133	–	–	1,133

(e) Equity instruments at fair value through other comprehensive income

	2018 RM'000	2017 RM'000
Unquoted securities		
In Malaysia		
Placement with Islamic Banking and Finance Institute Malaysia (IBFIM)	575	–

(f) Debt instruments at amortised cost

	2018 RM'000	2017 RM'000
Money market instruments:		
Unquoted		
Islamic Cagamas bonds	40,326	–
Malaysian Government Sukuk	101,341	–
Government Investment Issue	2,159,881	–
	2,301,548	
Unquoted securities		
In Malaysia		
Corporate Sukuk	4,238,405	–
Outside Malaysia		
Corporate Sukuk	40,866	–
Others	374,303	–
	4,653,574	–
Total	6,955,122	–
Amortisation of premium, net of accretion of discount	4,977	–
Less: Expected credit losses	(441)	–
	6,959,658	–

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(f) Debt instruments at amortised cost (Continued)

Expected credit losses movement for debt instruments at amortised cost:

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Total RM'000
Debt instruments at amortised cost			
At 1 January 2018	–	–	–
Effect of adopting MFRS 9	1,358	–	1,358
Adjusted 1 January 2018	1,358	–	1,358
Changes in expected credit losses due to transferred within stages:	(46)	46	–
Transferred to Stage 2	(46)	46	–
Total charge to Income Statement:	(858)	(47)	(905)
New financial assets purchased	894	–	894
Financial assets that have been derecognised	(23)	(155)	(178)
Change in credit risk	(1,729)	108	(1,621)
Exchange fluctuation	(13)	1	(12)
At 31 December 2018	441	–	441

(g) Financial assets held for trading

	2018 RM'000	2017 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issues	–	347,099
Malaysian Government treasury bills	–	1,357
Islamic negotiable instruments of deposits	–	2,764,951
Cagamas bonds	–	50,759
Other Government securities	–	41,546
	–	3,205,712
Unquoted securities:		
In Malaysia		
Corporate Sukuk	–	136,022
Outside Malaysia		
Corporate Sukuk	–	205,686
	–	341,708
	–	3,547,420

(h) 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 statements of financial position date, and do not represent amounts at risk. In the financial statements, 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.

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) Islamic derivative financial instruments, commitments and contingencies (Continued)

(i) Islamic derivative financial instruments (Continued)

	31 December 2018		
	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	10,744,141	240,261	(219,436)
– Less than 1 year	7,711,790	108,203	(99,922)
– 1 year to 3 years	2,077,803	55,614	(50,854)
– More than 3 years	954,548	76,444	(68,660)
Currency swaps	11,272,501	56,042	(67,012)
– Less than 1 year	11,243,914	53,662	(64,572)
– 1 year to 3 years	28,414	2,380	(2,410)
– More than 3 years	173	–	(30)
Currency spots	33,762	42	(18)
– Less than 1 year	33,762	42	(18)
Currency options	18,104	99	(99)
– Less than 1 year	18,104	99	(99)
Cross currency profit rate swaps	2,828,281	146,040	(141,965)
– Less than 1 year	775,616	27,208	(27,022)
– 1 year to 3 years	1,325,735	68,356	(67,578)
– More than 3 years	726,930	50,476	(47,365)
Profit rate derivatives			
Islamic profit rate swaps	16,749,244	149,364	(140,328)
– Less than 1 year	3,712,833	7,944	(7,548)
– 1 year to 3 years	9,332,508	107,797	(104,993)
– More than 3 years	3,703,903	33,623	(27,787)
Equity derivatives			
Equity options	537,582	2,109	(2,109)
– Less than 1 year	23,786	1,099	(1,099)
– 1 year to 3 years	304,210	961	(961)
– More than 3 years	209,586	49	(49)
Credit related contracts			
Total return swaps	315,500	3,388	(3,776)
– More than 3 years	315,500	3,388	(3,776)
Hedging derivatives			
Islamic profit rate swaps	3,384,006	1,750	(53,618)
– Less than 1 year	1,375,000	160	(21,443)
– 1 year to 3 years	1,900,000	–	(32,175)
– More than 3 years	109,006	1,590	–
Total derivative assets/(liabilities)	45,883,121	599,095	(628,361)

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) Islamic derivative financial instruments, commitments and contingencies (Continued)

(i) Islamic derivative financial instruments (Continued)

	31 December 2017		
	Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	7,565,881	153,933	(223,012)
– Less than 1 year	4,826,174	49,946	(134,707)
– 1 year to 3 years	2,173,333	39,289	(30,752)
– More than 3 years	566,374	64,698	(57,553)
Currency swaps	10,748,117	193,435	(97,959)
– Less than 1 year	10,719,703	191,079	(95,573)
– 1 year to 3 years	28,414	2,356	(2,386)
Currency spots	11,778	19	(9)
– Less than 1 year	11,778	19	(9)
Cross currency profit rate swaps	3,252,984	185,841	(180,773)
– Less than 1 year	756,509	27,164	(26,936)
– 1 year to 3 years	793,190	23,837	(22,981)
– More than 3 years	1,703,285	134,840	(130,856)
Profit rate derivatives			
Islamic profit rate swaps	17,934,812	121,675	(107,951)
– Less than 1 year	3,267,422	2,322	(2,046)
– 1 year to 3 years	6,062,218	20,273	(17,396)
– More than 3 years	8,605,172	99,080	(88,509)
Equity derivatives			
Equity options	619,185	2,953	(2,953)
– 1 year to 3 years	311,399	1,546	(1,546)
– More than 3 years	307,786	1,407	(1,407)
Credit related contracts			
Total return swaps	327,100	5,178	(5,795)
– More than 3 years	327,100	5,178	(5,795)
Hedging derivatives			
Islamic profit rate swaps	3,593,712	(135)	(88,629)
– Less than 1 year	300,000	(135)	(1,165)
– 1 year to 3 years	3,275,000	–	(87,375)
– More than 3 years	18,712	–	(89)
Total derivative assets/(liabilities)	44,053,569	662,899	(707,081)

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) Islamic derivative financial instruments, commitments and contingencies (Continued)

(ii) Commitments and contingencies

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers.

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

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively. Refer Note (h)(i).

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

	2018 Principal RM'000	2017 Principal RM'000
Credit related		
Direct credit substitutes	**247,949**	229,687
Certain transaction-related contingent items	**755,977**	712,390
Short-term self-liquidating trade-related contingencies	**53,944**	23,014
Irrevocable commitments to extend credit:		
– Maturity not exceeding one year	**9,526,685**	6,901,712
– Maturity exceeding one year	**7,127,240**	5,507,311
Miscellaneous commitments and contingencies:		
– Shariah-compliant equity option	**40,750**	63,541
Total credit-related commitments and contingencies	**17,752,545**	13,437,655
Total treasury-related commitments and contingencies (Note 62(h)(i))	**45,883,121**	44,053,569
Total commitments and contingencies	**63,635,666**	57,491,224

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(i) Financial investments available-for-sale

	2018 RM'000	2017 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issues	–	355,065
Islamic Cagamas bonds	–	5,524
Malaysian Government Securities	–	22,107
	–	382,696
Quoted securities:		
Outside Malaysia		
Government bonds	–	324,557
	–	324,557
Unquoted securities:		
In Malaysia		
Corporate Sukuk	–	1,549,527
Placements with Islamic Banking and Finance Institute Malaysia	–	575
Outside Malaysia		
Corporate Sukuk	–	339,670
Private equity funds	–	113,787
	–	2,003,559
	–	2,710,812
Less: Allowance for impairment losses	–	(3,091)
	–	2,707,721

The table below shows the movement for impairment losses during the year:

	2017 RM'000
At 1 January	3,420
Exchange fluctuation	(329)
At 31 December	3,091

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(j) Financial investments held-to-maturity

	2018 RM'000	2017 RM'000
Money market instruments:		
Unquoted:		
Government Investment Issue	–	1,556,967
Khazanah bonds	–	12,662
Cagamas notes	–	–
	–	1,569,629
Quoted securities:		
Outside Malaysia		
Government bonds	–	203,772
Bank Indonesia Certificates	–	76,499
	–	280,271
Unquoted securities:		
In Malaysia		
Corporate Sukuk	–	3,157,520
Outside Malaysia		
Corporate Sukuk	–	228,817
	–	3,386,337
Amortisation of premium less accretion of discount	–	5,241
Less: Allowance for impairment loss	–	(75)
	–	5,241,403

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

In 2017 there is no reclassification of financial investment and fair value in revaluation reserve-financial investment available-for-sale.

The fair value and carrying amount of the financial investments as at 31 December 2017 are RM748,341,000 and RM738,373,000 respectively. The fair value gains that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM14,530,000.

As at 31 December 2017, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM17,532,000.

The table below shows the movement for impairment losses during the year:

	2017 RM'000
At 1 January	83
Exchange fluctuation	(8)
At 31 December	75

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans

(i) By type and Shariah contract

	The Group											
	Sale based contracts					Lease-based contracts		Profit sharing contracts		Loan contract	Others	
2018 At amortised cost	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'Inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi al-Tamlik RM'000	Al-Ijarah Thumma al-Bai' RM'000	Mudharabah RM'000	Musharakah RM'000	Qard RM'000	Ujrah RM'000	Total RM'000
Cash line^	-	5,704	-	-	891,281	-	-	-	-	1,455	-	898,440
Term financing												
House financing	284,108	5,786,483	-	-	11,099,048	1,357,811	-	-	2,000,803	-	-	20,528,253
Syndicated financing	470,952	-	162,279	-	1,982,505	7,450	-	684	-	-	-	2,623,870
Hire purchase receivables	163,915	-	-	-	-	-	7,423,573	-	-	-	-	7,587,488
Other term financing	1,406,682	1,484,968	6,982,666	-	26,888,119	52,570	-	68,331	4,326,375	-	-	41,209,711
Lease receivable	-	-	-	-	-	150,259	-	-	-	-	-	150,259
Bills receivable	5,075	-	-	2,302,104	-	-	-	-	-	-	-	2,307,179
Islamic trust receipts	108,436	-	-	-	-	-	-	-	-	-	-	108,436
Claims on customers under acceptance credits	1,031,894	-	-	80,964	-	-	-	27,428	-	-	-	1,140,286
Staff financing	-	-	-	-	114,300	-	-	-	5,596	-	-	119,896
Revolving credits	-	-	-	-	7,300,930	-	-	9,924	-	-	-	7,310,854
Credit card receivables	-	-	-	-	-	-	-	-	-	183,628	137,325	320,953
Share purchase financing	207	-	-	-	-	-	-	-	-	-	-	207
Gross financing, advances and other financing/loans	3,471,269	7,277,155	7,144,945	2,383,068	48,276,183	1,568,090	7,423,573	106,367	6,332,774	185,083	137,325	84,305,832
Fair value changes arising from fair value hedge												32,732
												84,338,564
Less: Expected credit losses												(803,375)
Net financing, advances and other financing/loans, at amortised cost												83,535,189
At Fair value through Profit or loss												
Term financing												
– Syndicated financing	-	-	-	-	491,566	-	-	-	-	-	-	491,566
Net financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	491,566	-	-	-	-	-	-	491,566
Net financing, advances and other financing/loans												84,026,755

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62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contract (Continued)

The Group												
	Sale based contracts					Lease-based contracts		Profit sharing contracts		Loan contract	Others	
2017 At amortised cost	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'Inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi al-Tamlik RM'000	Al-Ijarah Thumma al-Bai' RM'000	Mudharabah RM'000	Musharakah RM'000	Qard RM'000	Ujrah RM'000	Total RM'000
Cash line^	–	14,452	4,221	–	777,355	–	–	–	–	2,064	–	798,092
Term financing												
House financing	341,350	6,329,300	–	–	6,775,695	1,433,334	–	–	1,098,957	–	–	15,978,636
Syndicated financing	496,721	–	228,506	–	2,092,012	59,738	–	739	–	–	–	2,877,716
Hire purchase receivables	344,084	–	–	–	–	–	5,709,622	–	–	–	–	6,053,706
Other term financing	1,666,586	1,720,870	9,305,762	–	19,486,424	55,169	–	79,949	2,209,046	–	–	34,523,806
Lease receivable	–	–	–	–	–	151,497	–	–	–	–	–	151,497
Bills receivable	–	–	–	1,567,399	–	–	–	–	–	292	–	1,567,691
Islamic trust receipts	153,508	–	–	–	–	–	–	–	–	–	–	153,508
Claims on customers under acceptance credits	699,677	–	–	152,731	–	–	–	–	–	–	–	852,408
Staff financing	–	–	–	–	57,729	–	–	–	1,466	–	–	59,195
Revolving credits	–	–	–	–	4,929,326	–	–	–	–	–	–	4,929,326
Credit card receivables	–	–	–	–	–	–	–	–	–	194,741	128,947	323,688
Share purchase financing	3,737	–	–	–	–	–	–	–	–	–	–	3,737
Gross financing, advances and other financing/loans	3,705,663	8,064,622	9,538,489	1,720,130	34,118,541	1,699,738	5,709,622	80,688	3,309,469	197,097	128,947	68,273,006
Fair value changes arising from fair value hedge												69,873
												68,342,879
Less: Allowance for impairment losses												
– Individual impairment allowance												(134,937)
– Portfolio impairment allowance												(292,952)
												(427,889)
Net financing, advances and other financing/loans												67,914,990

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contract (Continued)

	2018 RM'000	2017 RM'000
Gross financing, advances and other financing/loans		
- At amortised cost	**84,305,832**	68,273,006
- At fair value through profit or loss	**491,566**	–
	84,797,398	68,273,006

Sale-based contracts

– Murabahah

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

– Bai' al-'Inah

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

– Tawarruq vis-à-vis Commodity Murabahah

Tawarruq structure for CIMB Islamic's financing product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

– Bai' Bithaman Ajil

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

– Bai' al-Dayn

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

Lease-based contracts

– Ijarah

A lease contract that transfers the ownership of a usufruct of an asset to another party for a specified period in exchange for a rental. Ijarah contract may end with the transfer of the legal title of the leased asset to the lessee is called Ijarah Muntahia bi al-Tamlik (IMBT). Effective transfer of the legal title is a consequent to the conclusion of the lease arrangement that can be in the form of a sale or a gift of the asset to the lessee. Al-Ijarah Thumma al-Bai (AITAB) is a form of Ijarah Muntahia bi al-Tamlik where the sale of asset to the lessee is executed at the completion of the lease period. Income is recognised on effective profit rate basis over the lease term.

Profit sharing contracts

– Musharakah

Agreement of cooperation between two or more parties to a particular business, where each parties contribute funds. Profits are shared based on agreement, while loss is based on the portion of the contribution of funds in the form of cash or non-cash assets permitted by Shariah. Profits are recognised in the period the entitlement is based on Laporan Hasil Usaha in accordance with the agreed nisbah. Gain on Musharakah financing that has become the bank's rights and have not been paid by the customer is recognised as a profit sharing receivable.

Notes to the Financial Statements
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62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contract (Continued)

Loan contract

– Qard

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

Rahnu

Rahnu is a contract between a pledgor (rahin) and a pledeee (murtahin) whereby an asset is pledged as collateral (marhun) to the pledgee to provide assurance that the liability or obligation against the pledgee will be fulfilled.

Ujrah

Arrangement that involves payment of a service fee in exchange for the services rendered to customers.

(a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM3,384,006,000 (2017: RM3,695,054,000) financing using Islamic profit rate swaps.

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

As at 31 December 2018, the gross exposure and 12-months expected credit losses relating to RPSIA financing are RM6,907,549,000 (2017: RM6,123,712,000) and RM25,658,000 (2017: portfolio impairment allowance of RM10,248,000) respectively.

There was no individual impairment allowance provided for the RPSIA financing in 2017.

(c) Movement of Qard financing

	2018 RM'000	2017 RM'000
At 1 January	**197,097**	177,965
New disbursement	**90,047**	126,993
Repayment	**(93,626)**	(86,859)
Exchange fluctuation	**(8,435)**	(21,002)
At 31 December	**185,083**	197,097
Sources and uses of Qard Financing		
Sources of Qard fund:		
Depositors fund	**184,999**	196,961
Shareholders fund	**84**	136
	185,083	197,097
Uses of Qard fund:		
Personal use	**183,800**	194,903
Business use	**1,283**	2,194
	185,083	197,097

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contract (Continued)

(ii) By type of customers

	2018 RM'000	2017 RM'000
Domestic banking institutions	**–**	39,126
Domestic non-bank financial institutions	**2,559,537**	2,659,598
Domestic business enterprises		
– Small medium enterprises	**15,545,997**	10,706,066
– Others	**10,130,422**	7,017,482
Government and statutory bodies	**5,316,905**	7,060,073
Individuals	**44,550,465**	35,166,546
Other domestic entities	**84,965**	84,783
Foreign entities	**6,609,107**	5,539,332
	84,797,398	68,273,006

(iii) By profit sensitivity

	2018 RM'000	2017 RM'000
Fixed rate		
– House financing	**2,381,266**	1,527,316
– Hire purchase receivables	**6,088,529**	4,563,427
– Other fixed rate financing	**14,740,906**	12,673,079
Variable rate		
– House financing	**18,146,987**	14,451,320
– Others	**43,439,710**	35,057,864
	84,797,398	68,273,006

(iv) By economic purposes:

	2018 RM'000	2017 RM'000
Personal use	**2,321,190**	2,555,430
Credit card	**320,953**	323,688
Purchase of consumer durables	**16,511**	17,950
Construction	**3,420,799**	1,822,160
Residential property	**21,566,249**	16,584,092
Non-residential property	**5,841,903**	4,760,381
Purchase of fixed assets other than land and building	**625,573**	611,028
Purchase of securities	**12,148,632**	9,029,785
Purchase of transport vehicles	**8,205,420**	6,733,652
Working capital	**17,372,745**	15,386,247
Other purpose	**12,957,423**	10,448,593
	84,797,398	68,273,006

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans (Continued)

(v) By geographical distribution

	2018 RM'000	2017 RM'000
Malaysia	**71,152,849**	57,877,095
Indonesia	**7,705,313**	5,071,479
Singapore	**4,986,740**	4,150,641
Other countries	**952,496**	1,173,791
	84,797,398	68,273,006

(vi) By residual contractual maturity

	2018 RM'000	2017 RM'000
Within one year	**19,062,427**	12,694,039
One year to less than three years	**6,235,091**	9,344,004
Three years to less than five years	**4,476,603**	4,025,291
Five years and more	**55,023,277**	42,209,672
	84,797,398	68,273,006

(vii) By economic sector

	2018 RM'000	2017 RM'000
Primary agriculture	**3,161,986**	2,456,261
Mining and quarrying	**2,299,551**	2,509,756
Manufacturing	**3,248,065**	2,180,160
Electricity, gas and water supply	**1,874,337**	284,083
Construction	**3,160,719**	2,201,982
Transport, storage and communications	**4,184,459**	2,667,465
Education, health and others	**5,973,245**	7,603,019
Wholesale and retail trade, and restaurants and hotels	**4,144,368**	2,508,492
Finance, insurance/takaful, real estate and business activities	**11,204,877**	10,029,754
Household	**42,444,984**	33,495,144
Others	**3,100,807**	2,336,890
	84,797,398	68,273,006

(viii) Credit impaired/impaired financing, advances and other financing/loans by economic purposes

	2018 RM'000	2017 RM'000
Personal use	**17,717**	17,573
Credit cards	**7,476**	6,721
Purchase of consumer durables	**336**	338
Residential property	**201,169**	145,911
Non-residential property	**61,027**	64,736
Purchase of fixed assets other than land and building	**75**	-
Construction	**29,020**	31,093
Purchase of securities	**1,485**	1,370
Purchase of transport vehicles	**63,595**	88,358
Working capital	**234,677**	195,102
Other purpose	**144,022**	162,595
	760,599	713,797

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans (Continued)

(ix) Credit impaired/impaired financing, advances and other financing/loans by geographical distributions

	2018 RM'000	2017 RM'000
Malaysia	**483,673**	456,100
Indonesia	**89,794**	64,525
Singapore	**68,319**	66,950
Other countries	**118,813**	126,222
	760,599	713,797

(x) Credit impaired/impaired financing, advances and other financing/loans by economic sector

	2018 RM'000	2017 RM'000
Primary agriculture	**19,049**	12,554
Mining and quarrying	**184,612**	189,591
Manufacturing	**28,146**	22,609
Construction	**26,145**	8,311
Transport, storage and communications	**124,127**	159,765
Education, health and others	**10,613**	11,967
Wholesale and retail trade, and restaurants and hotels	**16,466**	1,691
Finance, insurance/takaful, real estate and business activities	**44,369**	24,191
Household	**255,247**	248,605
Others	**51,825**	34,513
	760,599	713,797

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans (Continued)

(xi) Movements in the expected credit losses/allowance for financing, advances and other financing/loans are as follows:

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Individual impairment provision under MFRS 139 RM'000	Portfolio impairment provision under MFRS 139 RM'000	Total RM'000
Financing, advances and other financing/loans at amortised cost						
At 1 January 2018	–	–	–	134,937	292,952	427,889
Effect of adopting MFRS 9	227,031	133,224	263,934	(134,937)	(292,952)	196,300
Adjusted 1 January 2018	227,031	133,224	263,934	–	–	624,189
Changes in expected credit losses due to transferred within stages:	220,297	(176,073)	(44,224)	–	–	–
Transferred to stage 1	276,077	(232,989)	(43,088)	–	–	–
Transferred to stage 2	(55,220)	123,811	(68,591)	–	–	–
Transferred to stage 3	(560)	(66,895)	67,455	–	–	–
Total charge to Income Statement:	(123,236)	210,666	225,732	–	–	313,162
New financial assets originated	228,339	44,036	1,125	–	–	273,500
Financial assets that have been derecognised	(138,268)	(6,461)	–	–	–	(144,729)
Writeback in respect of full recoveries	–	–	(10,351)	–	–	(10,351)
Change in credit risk	(213,307)	173,091	234,958	–	–	194,742
Write-offs	–	–	(141,185)	–	–	(141,185)
Exchange fluctuation	7,599	(3,841)	(11,105)	–	–	(7,347)
Other movements	854	6,533	7,169	–	–	14,556
At 31 December 2018	332,545	170,509	300,321	–	–	803,375

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans (Continued)

(xi) Movements in the expected credit losses/allowance for financing, advances and other financing/loans are as follows: (Continued)

	Individual impairment allowance RM'000	Portfolio impairment allowance RM'000
At 1 January 2017	87,298	304,252
Net allowance made during the financial year	62,718	164,727
Amount written off	(9,800)	(175,934)
Allowance transferred to conventional operations	–	(73)
Exchange fluctuation	(5,279)	(20)
At 31 December 2017	134,937	292,952
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans		1.06%

(xii) Movements in credit impaired/impaired financing, advances and other financing/loans

Gross carrying amount movement for loans, advances and financing at amortised cost classified as credit impaired:

	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Impaired financing, advances and other financing/ loans under MFRS 139 RM'000	Total RM'000
At 1 January 2018	**–**	**713,797**	**713,797**
Effect of adopting MFRS 9	**713,797**	**(713,797)**	**–**
Adjusted 1 January 2018	**713,797**	**–**	**713,797**
Transfer within stages	**260,774**	**–**	**260,774**
New financial assets originated	**2,576**	**–**	**2,576**
Write-offs	**(141,185)**	**–**	**(141,185)**
Amount fully recovered	**(57,250)**	**–**	**(57,250)**
Other changes in financing, advances and other financing/loans	**(26,075)**	**–**	**(26,075)**
Exchange fluctuation	**7,962**	**–**	**7,962**
At 31 December 2018	**760,599**	**–**	**760,599**

	31 December 2018
Ratio of credit impaired financing to total financing, advances and other financing	**0.90%**

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Financing, advances and other financing/loans (Continued)

(xii) Movements in credit impaired/impaired financing, advances and other financing/loans (Continued)

Impaired loans under MFRS 139

	31 December 2017 RM'000
At 1 January 2017	609,908
Classified as impaired during the financial year	687,077
Reclassified as not impaired during the financial year	(310,749)
Amount recovered	(107,680)
Amount written off	(185,734)
Exchange fluctuation	20,975
At 31 December 2017	713,797
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	1.05%

(l) Other assets

	2018 RM'000	2017 RM'000
Deposits and prepayments	**766,343**	13,297
Clearing accounts	**368,022**	298,753
Collateral pledged for derivative transactions	**239,940**	187,104
Other debtors net of expected credit losses/allowance for doubtful debts	**1,103,614**	918,315
	2,477,919	1,417,469

(m) Deferred taxation

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

	2018 RM'000	2017 RM'000
Deferred tax assets	**82,412**	19,122
Deferred tax liabilities	**(530)**	(1,205)
	81,882	17,917

Further breakdown are as follows:

	2018 RM'000	2017 RM'000
Expected credit losses	**69,401**	–
Accelerated tax depreciation	**(2,060)**	(1,885)
Debt instruments at fair value through other comprehensive income	**2,009**	–
Revaluation reserve - financial investments available-for-sale	**–**	7,270
Provision for expenses	**12,532**	12,532
Deferred tax assets	**81,882**	17,917

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(m) Deferred taxation (Continued)

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

Deferred tax assets/(liabilities)	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Debt instruments at fair value through other comprehensive income RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Provision for expenses RM'000	Total RM'000
2018							
At 1 January		**–**	**(1,885)**	**–**	**7,270**	**12,532**	**17,917**
– Effect of adopting MFRS 9		**–**	**–**	**3,948**	**(7,270)**	**–**	**(3,322)**
As restated		**–**	**(1,885)**	**3,948**	**–**	**12,532**	**14,595**
Credited to statement of income	(ao)	**69,401**	**742**	**–**	**–**	**–**	**70,143**
Under provision in prior year		**–**	**(917)**	**–**	**–**	**–**	**(917)**
Transferred from equity		**–**	**–**	**(1,939)**	**–**	**–**	**(1,939)**
At 31 December 2018		**69,401**	**(2,060)**	**2,009**	**–**	**12,532**	**81,882**
2017							
At 1 January		–	(2,605)	–	8,793	9,264	15,452
Credited to statement of income	(ao)	–	1,276	–	–	3,202	4,478
(Under)/over provision in prior year		–	(556)	–	–	66	(490)
Transferred from equity		–	–	–	(1,523)	–	(1,523)
At 31 December 2017		–	(1,885)	–	7,270	12,532	17,917

(n) Statutory deposits with Bank Negara Malaysia

	2018 RM'000	2017 RM'000
Statutory deposits with Bank Negara Malaysia	**2,076,422**	1,554,286

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

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(o) Property, plant and equipment

	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
2018				
Cost				
At 1 January	**11,944**	**508**	**25,125**	**37,577**
Additions	**1,240**	**3**	**642**	**1,885**
Disposals	**(1,413)**	**(3)**	**(181)**	**(1,597)**
Exchange fluctuation	**(371)**	**–**	**(198)**	**(569)**
At 31 December	**11,400**	**508**	**25,388**	**37,296**
Accumulated depreciation				
At 1 January	**9,210**	**166**	**19,411**	**28,787**
Charge for the financial year	**710**	**78**	**3,900**	**4,688**
Disposals	**(409)**	**–**	**(154)**	**(563)**
Exchange fluctuation	**(287)**	**–**	**(170)**	**(457)**
At 31 December	**9,224**	**244**	**22,987**	**32,455**
Net book value at 31 December	**2,176**	**264**	**2,401**	**4,841**

	Note	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
2017					
Cost					
At 1 January		13,391	2,260	23,988	39,639
Additions		662	601	1,723	2,986
Disposals		(1,046)	(2,353)	(1,383)	(4,782)
Reclassified from intangible assets	(q)	–	–	1,332	1,332
Written off		–	–	(3)	(3)
Exchange fluctuation		(1,063)	–	(532)	(1,595)
At 31 December		11,944	508	25,125	37,577
Accumulated depreciation					
At 1 January		10,221	1,114	15,180	26,515
Charge for the financial year		1,124	1,188	4,859	7,171
Disposals		(55)	(2,136)	(1,383)	(3,574)
Reclassified from intangible assets	(q)	–	–	1,332	1,332
Written off		–	–	(3)	(3)
Exchange fluctuation		(2,080)	–	(574)	(2,654)
At 31 December		9,210	166	19,411	28,787
Net book value at 31 December		2,734	342	5,714	8,790

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(p) Goodwill

	2018 RM'000	2017 RM'000
At 1 January/31 December	**136,000**	136,000

Goodwill is wholly allocated to the retail banking cash-generating unit ("CGU")

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2019 financial budgets approved by management, projected for 5 years based on the average to year historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated terminal growth rate of 4.27% (2017: 4.20%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate is 7.47% (2017: 6.92%) which reflects the specific risks relating to the CGU.

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

(q) Intangible assets

	Note	2018 RM'000	2017 RM'000
Computer software			
Cost			
At 1 January		**138,717**	137,735
Additions		**2,345**	6,178
Disposals		**–**	(3,332)
Reclassified to property, plant and equipment	(o)	**–**	(1,332)
Exchange fluctuation		**(201)**	(532)
At 31 December		**140,861**	138,717
Accumulated amortisation			
At 1 January		**59,133**	55,858
Charge for the financial year		**10,042**	8,443
Disposal		**(32)**	(3,332)
Reclassified to property, plant and equipment	(o)	**–**	(1,332)
Exchange fluctuation		**(177)**	(504)
At 31 December		**68,966**	59,133
Net book value at 31 December		**71,895**	79,584

The above intangible assets include computer software under construction at cost of RM658,650 (2017: RM4,405,484).

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

Computer Software 3 - 15 years

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62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(r) Deposits from customers

	2018 RM'000	2017 RM'000
(i) By type of deposits		
Savings deposit		
Wadiah	**713,640**	3,734,242
Qard	**–**	610
Mudharabah	**904,678**	743,600
Commodity Murabahah (via Tawarruq arrangement)*	**3,429,924**	275,347
	5,048,242	4,753,799
Demand deposit		
Wadiah	**666,732**	11,691,067
Qard	**10,069,627**	210,386
Mudharabah	**116,974**	105,832
Commodity Murabahah (via Tawarruq arrangement)*	**1,995,413**	34,230
	12,848,746	12,041,515
Term deposit	**64,436,553**	53,552,869
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	**39,946,997**	33,420,800
Fixed Return Income Account-i (via Tawarruq arrangement)*	**24,489,556**	20,110,592
Short term money market deposit-i		
Wakalah	**–**	11,961
Wadiah	**–**	9,516
Fixed Deposit-i	**–**	8,981
Wadiah	**–**	8,981
General investment account	**4,392,620**	3,993,941
Mudharabah	**4,392,620**	3,993,941
Specific investment account	**104,791**	113,014
Mudharabah	**104,791**	113,014
Islamic Negotiable instruments	**–**	398,199
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	**–**	398,199
Others	**20,156**	17,326
Qard	**20,156**	17,326
	86,851,108	74,879,644

* *Included Qard contract of RM633,484,000 (2017: RM329,721,000)*

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(r) Deposits from customers (Continued)

Maturity structures of term deposits, investment accounts and Islamic negotiable instruments

	2018 RM'000	2017 RM'000
Due within six months	**59,824,647**	51,988,978
Six months to one year	**8,932,231**	5,850,344
One year to three years	**71,667**	112,556
Three years to five years	**80,363**	2,114
More than five years	**25,056**	113,012
	68,933,964	58,067,004
(ii) By type of customer		
Government and statutory bodies	**3,827,034**	3,745,450
Business enterprises	**36,689,863**	31,504,977
Individuals	**25,430,926**	19,805,459
Others	**20,903,285**	19,823,758
	86,851,108	74,879,644

Wadiah (Yad Dhamanah)

A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian). However, the custodian, at its discretion, may give hibah to the depositors, nevertheless, the hibah shall not be pre-conditioned.

Commodity Murabahah

A contract of sale and purchase of commodities as underlying assets. The customer appoints the Bank to act as the customer's agent for the purchase and sale of the commodity. At the first stage, the buyer will purchase an asset on credit from the original seller, and at the second stage, the buyer will then sell the asset on cash basis to a third party. It is named as Tawarruq because the buyer purchased the asset on credit with no intention of benefitting from it, rather to sell it to obtain cash. Profit expense shall be recognised on accrual basis by maturity date.

Mudharabah

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

(a) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.

(b) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

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

Wakalah

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

Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Profit expense from deposits shall be recognised on accrual basis by maturity date.

Notes to the Financial Statements
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62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(r) Deposits from customers (Continued)

Bai' al-Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Profit expense from deposits shall be recognised on accrual basis by maturity date.

Qard

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

Tawarruq vis-à-vis Commodity Murabahah

Tawarruq structure for CIMB Islamic's financing product consists of three (3) sales and purchases transaction. The first involve the purchase of a commodity by the Bank from Commodity Trader 1 on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

(s) Investment accounts of customers

	Note	2018 RM'000	2017 RM'000
Unrestricted investment accounts			
– without maturity			
Special Mudharabah Investment Account		**465,733**	289,203
– with maturity			
Term Investment Account-i		**1,303,537**	618,560
	25	**1,769,270**	907,763

(i) Movement in the investment accounts of customers

	2018 RM'000	2017 RM'000
Mudharabah		
Unrestricted Investment Account		
At 1 January	**907,763**	254,408
Funding inflows/outflows		
New placement during the year	**7,559,711**	744,068
Redemption during the year	**(6,786,033)**	(94,717)
Income from investment	**121,229**	14,966
Company's share of profit		
Profit distributed to mudarib	**(33,400)**	(10,962)
At 31 December	**1,769,270**	907,763
Investment asset:		
House financing	**1,057,671**	710,520
Hire purchase receivables	**624,727**	–
Other term financing	**86,872**	197,243
Total investment	**1,769,270**	907,763

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(s) Investment accounts of customers (Continued)

(ii) Profit Sharing Ratio and Rate of Return

	2018		2017	
	Investment account holder		Investment account holder	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Unrestricted investment accounts:				
no specific tenure	**5.00**	**0.22**	5.00	0.21
between 3 to 6 months	**70.83**	**4.37**	88.11	4.22

(iii) By type of customers

	2018 RM'000	2017 RM'000
Business enterprises	**356,157**	52,512
Individuals	**1,412,872**	855,178
Others	**241**	73
	1,769,270	907,763

(t) Deposits and placements of banks and other financial institutions

	2018 RM'000	2017 RM'000
Licensed banks	**1,589,418**	796,223
Licensed investment banks	**29,433**	340
Other financial institutions	**1,546,112**	1,101,412
	3,164,963	1,897,975

(u) Investment accounts due to designated financial institutions

	2018 RM'000	2017 RM'000
Restricted investment accounts		
Mudharabah	**8,216,809**	8,145,684
By type of counterparty		
Licensed banks	**8,216,809**	8,145,684

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(u) Investment accounts due to designated financial institutions (Continued)

(i) Movement in the investment accounts due to designated financial institutions

	2018 RM'000	2017 RM'000
At 1 January	**8,145,684**	3,912,011
Funding inflows/outflows		
New placement during the year	**9,828,394**	9,638,037
Redemption during the year	**(10,108,126)**	(5,588,865)
Income from investment	**434,290**	236,867
CIMB Islamic Bank's share of profit		
Profit distributed to mudarib	**(4,343)**	(2,369)
Incentive fee	**(79,090)**	(49,997)
At 31 December	**8,216,809**	8,145,684
Investment asset:		
Other term financing	**6,809,449**	6,061,977
Marketable securities	**1,211,980**	1,768,887
Miscellaneous other assets	**195,380**	314,820
Total investment	**8,216,809**	8,145,684

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

	2018			2017		
	Investment account holder			Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)
Restricted investment accounts: less than 1 year	**99.00**	**3.75**	**0.84**	99.00	3.54	0.98

These placements are the Restricted Profit Sharing Investment Account ("RPSIA") placed by CIMB Bank Berhad amounting to RM8,216,809,000 (2017: RM8,145,684,000) for tenures within 6 months at indicative profit rates from 2.79% to 4.12% per annum (2017: 2.02% to 3.83% tenures within 3 months). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(v) Financial liabilities designated at fair value through profit or loss

	2018 RM'000	2017 RM'000
Deposits from customers - structured investments	**21,918**	2,233

The Group has issued structured investments, and have designated them at fair value in accordance with MFRS9. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the Group as at 31 December 2018 of financial liabilities designated at fair value were RM1,235,000 (2017: RM10,000) 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.

CIMB Islamic Bank did not issue any new structured investment in 2017.

(w) Other liabilities

	2018 RM'000	2017 RM'000
Clearing accounts	**2,585,304**	2,764,556
Due to brokers	**1,074**	17,073
Structured deposits	**165,478**	40,782
Accruals and other payables	**87,107**	349,405
Expected credit losses for commitments and contigencies	**76,224**	–
Others	**1,760,435**	1,271,814
	4,675,622	4,443,630

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(w) Other liabilities (Continued)

(i) Expected credit losses/allowance for commitments and contingencies

Movement in the expected credit losses for commitments and contingencies are as follows:

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – not credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	–	–	–	–
Effect of adopting MFRS 9	62,863	3,489	1,423	67,775
Adjusted 1 January 2018	62,863	3,489	1,423	67,775
Changes in expected credit losses due to transferred within stages:	5,001	(5,413)	412	–
Transferred to Stage 1	6,366	(6,278)	(88)	–
Transferred to Stage 2	(1,352)	1,537	(185)	–
Transferred to Stage 3	(13)	(672)	685	–
Total charge to Income Statement:	1,734	6,827	(284)	8,277
New financial assets originated	73,945	–	–	73,945
Financial assets that have been derecognised	(41,187)	(349)	(5)	(41,541)
Change in credit risk	(31,024)	7,176	(279)	(24,127)
Other movements	(98)	270	–	172
At 31 December 2018	69,500	5,173	1,551	76,224

As at 31 December 2018, the gross exposure of loan commitments and financial guarantee contracts that are credit impaired is RM4,126,000.

(x) Recourse obligation on loans and financing sold to Cagamas

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

(y) Provision for taxation

	2018 RM'000	2017 RM'000
Taxation	**418,954**	56,012

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(z) Sukuk

	Note	2018 RM'000	2017 RM'000
Ziya Capital Berhad Sukuk	(a)	**358,265**	462,257
RM1.0 million Sukuk Wakalah (2017/2018)	(b)	**–**	1,000
		358,265	463,257

(a) On 12 August 2016, Ziya issued RM630 million Sukuk which bears a periodic distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021. RM104 million of the Sukuk was partially redeemed during the year.

(b) On 29 December 2017, the Bank issued RM1.0 million Sukuk Wakalah ("the Sukuk") under its Sukuk Wakalah Programme of RM10.0 billion in nominal value which bears periodic distribution rate of 4%. It had matured and was fully redeemed on 31 December 2018.

(aa) Other borrowings

	2018 RM'000	2017 RM'000
Others - Interbank Certificate of Mudharabah Investment (SIMA) with maturity date 2/1/2018 and interest rate 4.95%, 5.35% and 5.50%	**–**	246,633
Interbank - borrowing Mudharabah IDR100 million	**28,604**	–
	28,604	246,633

(ab) Subordinated Sukuk

	Note	2018 RM'000	2017 RM'000
Subordinated Sukuk RM850 million (1st tranche due in 2024, optional redemption in 2019; 2nd tranche due in 2021, redeemed in 2016; 3rd tranche due in 2022, redeemed in 2017)	(a)	**304,752**	304,725
Subordinated Sukuk 2016/2028 RM10 million	(b)	**10,126**	10,126
Subordinated Sukuk 2017/2027 RM300 million	(c)	**300,155**	300,155
		615,033	615,006

(a) The RM850 million unsecured subordinated Sukuk ("the Sukuk") is part of the Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

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

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

On 18 September 2012, the third tranche of 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.

Notes to the Financial Statements
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62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ab) Subordinated Sukuk (Continued)

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

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

The Sukuk qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the general phase-out treatment under Basel III).

(b) On 21 September 2016, CIMB Islamic Bank had issued RM10 million Tier II Junior Sukuk ("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.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM10 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic Bank.

(c) On 28 December 2017, CIMB Islamic Bank had issued RM300 million Tier II Junior Sukuk ("Sukuk") at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic Bank.

(ac) Ordinary share capital and perpetual preference shares

	2018 RM'000	2017 RM'000
Ordinary shares		
Issued and fully paid		
At 1 January/31 December	**1,000,000**	1,000,000
Perpetual preference shares		
Issued and fully paid		
At 1 January/31 December	**220,000**	220,000

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ad) Reserves

(a) The statutory reserves of the Group are maintained by certain banking subsidiaries in Malaysia in compliance with the BNM guidelines and include a reserve maintained by a subsidiary in compliance with the Bursa Malaysia Securities Berhad Rules and Regulations. Effective 3 May 2017, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.

The statutory reserves of the foreign banking subsidiaries and foreign stockbroking subsidiaries of the Group are in compliance with rules and regulations of the respective authorities. These reserves are not distributable by way of cash dividends.

(b) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.

(c) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018 (prior to 2018: MFRS 139 beginning 1 January 2010).

On 2 February 2018, BNM issued the revised policy on Financial Reporting and Financial Reporting for Islamic Banking Institutions which requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(d) The Share-based payment reserve arose from the Employee Ownership Plan (“EOP”), the Group’s share-based compensation benefits.

(e) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the Bank’s foreign branches. These translation differences are shown under exchange fluctuation reserve.

(f) For debt instruments at fair value through other comprehensive income (“FVOCI”), changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed off.

(g) The Group has elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(ae) Restricted Agency Investment Account

(i) The details of the Restricted Agency Investment (“RAIA”) financing is as below. The exposures and corresponding risk weighted amount are reported in investors’ financial statements.

RAIA arrangement

	2018 RM’000
Financing and advances	5,530,998
Commitments and contingencies	700,000
Total net financing and advances	6,230,998

	2018 RM’000
Total RWA for Credit Risk	316,179

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ae) Restricted Agency Investment Account (Continued)

RAIA arrangement is with the Bank's holding company, CIMB Bank, and the contract is based on the Wakalah principle where CIMB Bank provides the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). In the arrangement, the Bank has risk transferred substantially all the risk and rewards of ownership of the Investment (i.e. the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and allowance for impairment arising thereon, if any, are recognised and accounted for by CIMB Bank.

The recognition and derecognition of the above are in accordance to Note E and G in the financial statements of the Group for the financial year ended 31 December 2018.

(ii) Movement in the Investment Account

Wakalah Restricted Agency Investment Account-RAIA	2018 RM'000
1 January	–
Funding inflows/outflows	
New placement during the year	5,500,000
Income from investment	31,020
Group's share of profit	
Wakalah fee	(22)
31 December	5,530,998
Investment asset:	
Revolving credit	1,501,107
Other term financing	4,029,891
Total investment	5,530,998

(iii) Profit sharing ratio, Rate of Return and Performance Incentive Fee

	2018 Investment account holder	
	Average profit sharing ratio (%)	Average rate of return (%)
Restricted investment accounts:		
less than 1 year	–	4.04%
more than 5 years	–	4.84%

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(af) Income derived from investment of depositors' funds and others

	2018 RM'000	2017 RM'000
Income derived from investment of:		
(i) General investment deposits	**3,065,605**	2,742,546
(ii) Specific investment deposits	**3,223**	5,031
(iii) Other deposits	**1,136,930**	864,294
	4,205,758	3,611,871
(i) **Income derived from investment of general investment deposits**		
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**2,486,893**	2,054,184
– Unwinding income*	**9,491**	8,587
Money at call and deposit with financial institutions	**203,403**	216,916
Securities purchased under resale agreement	**1,078**	1,619
Debt instruments at fair value through other comprehensive income	**83,014**	–
Debt instrument at amortised cost	**159,557**	–
Financial assets held for trading	**–**	35,591
Financial investments available–for–sale	**–**	62,615
Financial investments held–to–maturity	**–**	120,415
Others	**14,942**	7,552
	2,958,378	2,507,479
Accretion of discount less amortisation of premium	**(1,417)**	65,127
Other profit income for financial assets at fair value through profit or loss		
– Financial assets at fair value through profit or loss	**34,025**	–
– Net accretion of discount less amortisation	**54,729**	–
Total finance income and hibah	**3,045,715**	2,572,606
Other operating income:		
Net (loss)/gain from foreign exchange transactions	**(47,702)**	97,360
Net gain from sale of debt instruments at fair value through other comprehensive income	**4,729**	–
Net loss arising from sale of financial assets at fair value through profit or loss		
– Realised	**(476)**	–
– Unrealised	**(2,521)**	–
Net gain from sale of financial investments available-for-sale	**–**	3,645
Net gain from financial assets held for trading		
– Realised	**–**	1,485
– Unrealised	**–**	12,128
	(45,970)	114,618
Fees and commission income:		
Fee on financing and advances	**19,719**	29,840
Guarantee fees	**6,468**	5,009
Service charges and fees	**36,519**	20,326
Others	**213**	–
	62,919	55,175
Other income:		
Sundry income	**2,941**	147
	3,065,605	2,742,546

* *Unwinding income is income earned on credit impaired financial assets*

Notes to the Financial Statements
for the financial year ended 31 December 2018

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(af) Income derived from investment of depositors' funds and others (Continued)

		2018 RM'000	2017 RM'000
(ii)	**Income derived from investment of specific investment**		
	Money at call and deposit with financial institutions	**3,223**	3,142
	Fee and commission income	**–**	1,889
		3,223	5,031
(iii)	**Income derived from investment of other deposits**		
	Finance income and hibah:		
	Financing, advances and other financing/loans		
	– Profit income	**874,434**	638,981
	– Unwinding income*	**4,580**	3,435
	Money at call and deposit with banks and other financial institutions	**97,189**	84,385
	Debt instruments at fair value through other comprehensive income	**32,826**	–
	Debt instrument at amortised cost	**71,885**	–
	Financial assets held for trading	**–**	12,126
	Financial investments available-for-sale	**–**	21,279
	Financial investments held-to-maturity	**–**	47,505
		1,080,914	807,711
	Accretion of discount less amortisation of premium	**(543)**	27,312
	Other interest income for financial assets at fair value through profit or loss		
	– Financial assets at fair value through profit or loss	**15,342**	–
	– Net accretion of discount less amortisation of premium	**26,341**	–
		1,122,054	835,023
	Other operating income:		
	Net gain from foreign exchange transactions	**4,925**	25,006
	Net gain from sale of debt instruments at fair value through other comprehensive income	**2,313**	–
	Net gain from financial assets at fair value through profit or loss		
	– Realised	**1,935**	–
	– Unrealised	**1,922**	–
	Net gain from sale of financial investments available-for-sale	**–**	767
	Net gain from financial assets held for trading		
	– Realised	**–**	617
	– Unrealised	**–**	796
		11,095	27,186
	Fees and commission income:		
	Fee on financing and advances	**8**	–
	Guarantee fees	**3,078**	2,085
	Facility fees	**695**	–
		3,781	2,085
		1,136,930	864,294

* *Unwinding income is income earned on credit impaired financial assets*

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ag) Income derived from investment of investment account

	2018 RM'000	2017 RM'000
Financing, advances and other financing/loans:		
– Profit income	**495,972**	222,422
– Unwinding income*	**8**	67
Money at call and deposit with financial institutions	**59,583**	29,568
	555,563	252,057

(ah) Net income derived from investment of shareholders funds

	2018 RM'000	2017 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**165,718**	142,837
– Unwinding income*	**835**	754
Money at call and deposit with financial institutions	**28,287**	30,672
Debt instruments at fair value through other comprehensive income	**6,393**	–
Debt instrument at amortised cost	**48,396**	–
Financial investments available-for-sale	**–**	4,794
Financial assets held for trading	**–**	2,712
Financial investments held-to-maturity	**–**	34,531
	249,629	216,300
Accretion of discount less amortisation of premium	**(107)**	5,997
Other profit income for financial assets at fair value through profit or loss		
– Financial assets at fair value through profit or loss	**2,698**	–
– Net accretion of discount less amortisation of premium	**4,817**	–
Total finance income and hibah	**257,037**	222,297

* *Unwinding income is income earned on credit impaired financial assets*

Notes to the Financial Statements
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62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ah) Net income derived from investment of shareholders funds (Continued)

	2018 RM'000	2017 RM'000
Other operating income:		
Net loss from hedging derivatives	**(2,248)**	(1,305)
Net (loss)/gain from foreign exchange transactions	**(2,430)**	4,978
Net gain from sale of debt instruments at fair value through other comprehensive income	**414**	–
Net gain arising from financial assets at fair value through profit or loss		
– Realised	**406**	–
– Unrealised	**32**	–
Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss		
– Realised	**3**	40
– Unrealised	**1,236**	(52)
Net gain/(loss) arising from Islamic derivative financial instrument		
– Realised	**157,909**	(20,122)
– Unrealised	**(22,076)**	7,037
Net gain/(loss) from financial assets held for trading		
– Realised	**–**	135
– Unrealised	**–**	102
Net gain from sale of financial investments available-for-sale	**–**	209
	133,246	(8,978)
Net fees and commission income:		
Advisory fees	**711**	8,700
Guarantee fees	**571**	455
Service charges and fees	**82,650**	78,253
Placement fees	**568**	7,601
Underwriting commission	**27**	2,452
Others	**88,831**	91,415
Fee and commission income	**173,358**	188,876
Fee and commission expense	**(5,539)**	(4,321)
Net fees and commission income	**167,819**	184,555
Sundry income	**2,726**	5,506
	560,828	403,380

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ai) Expected credit loss/allowance on financing, advances and other financing/loans

	2018 RM'000	2017 RM'000
Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans at amortised cost:		
– Expected credit losses on financing, advances and other financing/loans	**313,162**	–
– Individual impairment allowance	**–**	62,718
– Portfolio impairment allowance	**–**	164,727
Credit impaired/impaired losses on financing, advances and other financing/loans:		
– Recovered	**(65,646)**	(60,197)
– Written-off	**3,222**	4,445
	250,738	171,693

(aj) Other expected credit losses/allowances (written back)/made for other impairment

	2018 RM'000	2017 RM'000
Expected credit losses/allowance made/(written back) on:		
– Debt instrument at fair value through other comprehensive income	**563**	–
– Debt instrument at amortised cost	**(905)**	–
– Other receivables	**(434)**	29
	(776)	29

(ak) Income attributable to depositors and others

	2018 RM'000	2017 RM'000
Deposits from customers		
– Mudharabah	**265,775**	221,984
– Non-Mudharabah	**2,170,909**	1,741,927
– Others	**1,978**	–
Deposits and placements of banks and other financial institutions		
– Mudharabah	**14**	10,659
– Non-Mudharabah	**75,924**	64,161
– Others	**16,542**	–
Financial liabilities designated at fair value through profit or loss	**67**	78
Subordinated Sukuk	**32,131**	27,359
Recourse obligation on loan and financing sold to Cagamas	**84,259**	59,912
Sukuk	**13,972**	18,390
Structured deposits	**551**	852
Others	**6,022**	6,973
	2,668,144	2,152,295

Notes to the Financial Statements
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62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(al) Profit distributed to investment account holder

	2018 RM'000	2017 RM'000
– Restricted	**350,857**	184,501
– Unrestricted	**87,829**	4,007
	438,686	188,508

(am) Personnel expenses

	2018 RM'000	2017 RM'000
– Salaries, allowances and bonuses	**51,362**	53,852
– Pension costs (defined contribution plan)	**4,609**	5,166
– Staff incentives and other staff payments	**2,802**	1,481
– Medical expenses	**518**	778
– Others	**5,435**	5,474
	64,726	66,751

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM857,000 (2017: RM957,000).

(an) Other overheads and expenditures

	2018 RM'000	2017 RM'000
Establishment costs		
– Depreciation of property, plant and equipment	**4,688**	7,171
– Rental	**4,747**	5,783
– Repairs and maintenance	**1,027**	4,749
– Amortisation of intangible assets	**10,042**	8,443
– Security expenses	**783**	37
– Utility expenses	**591**	97
– Others	**3,950**	928
	25,828	27,208
Marketing expenses		
– Advertisement and publicity	**5,061**	6,633
– Others	**1,604**	1,487
	6,665	8,120
Administration and general expenses		
– Legal and professional fees	**990**	2,422
– Stationery	**780**	780
– Communication	**1,158**	1,661
– Incidental expenses on banking operations	**4,579**	3,692
– Others	**43,501**	34,927
	51,008	43,482
Shared service cost	**533,983**	469,488
	617,484	548,298

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ao) Taxation and zakat

(i) Tax expense for the financial year

	Note	2018 RM'000	2017 RM'000
Current year tax			
– Malaysian income tax		**265,202**	215,096
Deferred taxation	(m)	**(70,143)**	(4,478)
Over provision in prior year		**(3,826)**	(27,275)
		191,233	183,343
Zakat		**2,100**	1,250
		193,333	184,593

(ii) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and profit before taxation and zakat is as follows:

	2018 RM'000	2017 RM'000
Profit before taxation and zakat	**1,274,870**	1,139,734
Tax calculated at tax rate of 24% (2017: 24%)	**305,969**	273,536
– Effect of different tax rates	**(3,680)**	(3,823)
– Income not subject to tax	**(74,473)**	(62,874)
– Expenses not deductible for tax purposes	**5,223**	3,779
Over provision in prior year	**(41,806)**	(27,275)
	191,233	**183,343**

(ap) Sources and uses of charity funds

	2018 RM'000	2017 RM'000
Sources of charity funds		
Balance as at 1 January	**8,448**	6,251
Gharamah/penalty charges	**4,380**	5,279
Non-shariah compliance income	**285**	481
Exchange fluctuation	**(325)**	(1,043)
Total sources of charity funds during the financial year	**12,788**	10,968
Uses of charity funds		
Contribution to non-profit organisation	**4,733**	2,520
Total uses of charity funds during the financial year	**4,733**	2,520
Undistributed charity funds as at 31 December	**8,055**	8,448

63 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 11 March 2019.

CIMB Bank Group
CIMB Islamic Bank Group
CIMB Investment Bank Group

BASEL II PILLAR 3 DISCLOSURES

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ABBREVIATIONS

A-IRB Approach	:	Advanced Internal Ratings Based Approach
ALM COE	:	Asset Liability Management Centre of Excellence
BI	:	Banking Institutions
BIA	:	Basic Indicator Approach
BNM	:	Bank Negara Malaysia
BRCC	:	Board Risk & Compliance Committee
CAF	:	Capital Adequacy Framework and, in some instances referred to as the Risk-Weighted Capital Adequacy Framework
CAFIB	:	Capital Adequacy Framework for Islamic Banks
CAR	:	Capital Adequacy Ratio and, in some instances referred to as the Risk-Weighted Capital Ratio
CBSM	:	Capital and Balance Sheet Management
CCR	:	Counterparty Credit Risk
CIMBBG	:	CIMB Bank, CIMBISLG, CIMBTH, CIMB Bank PLC (Cambodia), CIMB Factorlease Berhad and non-financial subsidiaries
CIMBIBG	:	CIMB Investment Bank Berhad, CIMB Futures Sdn Bhd and non-financial subsidiaries
CIMBISLG	:	CIMB Islamic Bank Berhad, CIMB Islamic Nominees (Asing) Sdn Bhd and CIMB Islamic Nominees (Tempatan) Sdn Bhd
CIMBGH Group	:	Group of Companies under CIMB Group Holdings Berhad
CIMBTH	:	CIMB Thai Bank Public Company Ltd and its subsidiaries
CIMB Bank	:	CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the CAF (Capital Components) and CAFIB (Capital Components) to include its wholly owned offshore banking subsidiary company)
CIMB Group or the Group	:	Collectively CIMBBG, CIMBIBG and CIMBISLG as described within this disclosure
CIMB IB	:	CIMB Investment Bank Berhad
CIMB Islamic	:	CIMB Islamic Bank Berhad
CRM	:	Credit Risk Mitigants
CRO	:	Chief Risk Officer
CSA	:	Credit Support Annexes, International Swaps and Derivatives Association Agreement
DFIs	:	Development Financial Institutions
EAD	:	Exposure At Default
EAR	:	Earnings-at-Risk
ECAIs	:	External Credit Assessment Institutions
EL	:	Expected Loss
EP	:	Eligible Provision
EVE	:	Economic Value of Equity
EWRM	:	Enterprise Wide Risk Management
Group EXCO	:	Group Executive Committee
GSOC	:	Group Strategic Oversight Committee
F-IRB Approach	:	Foundation Internal Ratings Based Approach
Fitch	:	Fitch Ratings
GALCO	:	Group Asset Liability Management Committee
GCC	:	Group Credit Committee
GIBD	:	Group Islamic Banking Division
GMRC	:	Group Market Risk Committee
GRCC	:	Group Risk & Compliance Committee
GRD	:	Group Risk Division
GUC	:	Group Underwriting Committee
HPE	:	Hire Purchase Exposures
IRB Approach	:	Internal Ratings Based Approach
IRRBB	:	Interest Rate Risk in the Banking Book
KRI	:	Key Risk Indicators
LGD	:	Loss Given Default
MARC	:	Malaysian Rating Corporation Berhad
MDBs	:	Multilateral Development Banks
Moody's	:	Moody's Investors Service
MRMWG	:	Model Risk Management Working Group
MTM	:	Mark-to-Market and/or Mark-to-Model
ORM	:	Operational Risk Management
ORMF	:	Operational Risk Management Framework
OTC	:	Over the Counter
PD	:	Probability of Default
PSEs	:	Non-Federal Government Public Sector Entities
PSIA	:	Profit Sharing Investment Accounts
QRRE	:	Qualifying Revolving Retail Exposures
R&I	:	Rating and Investment Information, Inc
RAM	:	RAM Rating Services Berhad
RAROC	:	Risk Adjusted Return on Capital
RORBB	:	Rate of Return Risk in the Banking Book
RRE	:	Residential Real Estate
RWA	:	Risk-Weighted Assets
RWCAF	:	Risk-Weighted Capital Adequacy Framework and, in some instances referred to as the Capital Adequacy Framework
S&P	:	Standard & Poor's
SA	:	Standardised Approach
SMEs	:	Small and Medium Enterprises
SNC	:	Shariah Non Compliance
SRM COE	:	Shariah Risk Management Centre of Excellence
VaR	:	Value at Risk

OVERVIEW OF BASEL II AND PILLAR 3

The 'International Convergence of Capital Measurement and Capital Standards: A Revised Framework' or commonly known as 'Basel II' issued by the Bank of International Settlements, as adopted by BNM seeks to increase the risk sensitivity in capital computations and prescribed a number of different approaches to risk calculation that allows the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the financial institution's risk management capabilities. The Basel II requirements are stipulated within three broad 'Pillars' or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. CIMB Bank and its subsidiaries including CIMBISLG which offers Islamic banking financial services (collectively known as 'CIMBBG'); apply the IRB Approach for its major credit exposures. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, whereas under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD. The remaining credit exposures are on the SA and where relevant, will progressively migrate to the IRB Approach. CIMBIB and its subsidiaries ('CIMBIBG') adopt the SA for credit risk. CIMBBG, CIMBISLG and CIMBIBG (collectively known as 'CIMB Group' or the 'Group') adopt the SA for market risk and BIA for operational risk.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosure requirements aimed to encourage market discipline in a sense that every market participant can assess key pieces of information attributed to the capital adequacy framework of financial institutions.

FREQUENCY OF DISCLOSURE

The qualitative disclosures contained herein are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group's half yearly reporting cycles.

MEDIUM AND LOCATION OF DISCLOSURE

These disclosures are also available on CIMBGH Group's corporate website (www.cimb.com). The individual disclosures for CIMB Bank, CIMB Islamic and CIMB IB are also available at the CIMBGH Group's 2018 Annual Report and corporate website.

BASIS OF DISCLOSURE

These disclosures herein are formulated in accordance with the requirements of BNM's guidelines on RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). These disclosures published are for the year ended 31 December 2018.

The basis of consolidation for financial accounting purposes is described in the 2018 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements. During the financial year, the Group did not experience any impediments in the distribution of dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes.

The term 'credit exposure' as used in this disclosure is a prescribed definition by BNM based on the RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2018 financial statements as the credit risk exposure definition within the ambit of accounting standards represent the balance outstanding as at balance sheet date and do not take into account the expected undrawn/undisbursed contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2018 financial statements.

Any discrepancies between the totals and sum of the components in the tables contained in this disclosure are due to actual summation method and then rounded up to the nearest thousands.

These disclosures have been reviewed and verified by internal auditors and approved by the Board Risk Committee of CIMB Group, as delegated by the Board of Directors of CIMBGH Group.

RISK MANAGEMENT OVERVIEW

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

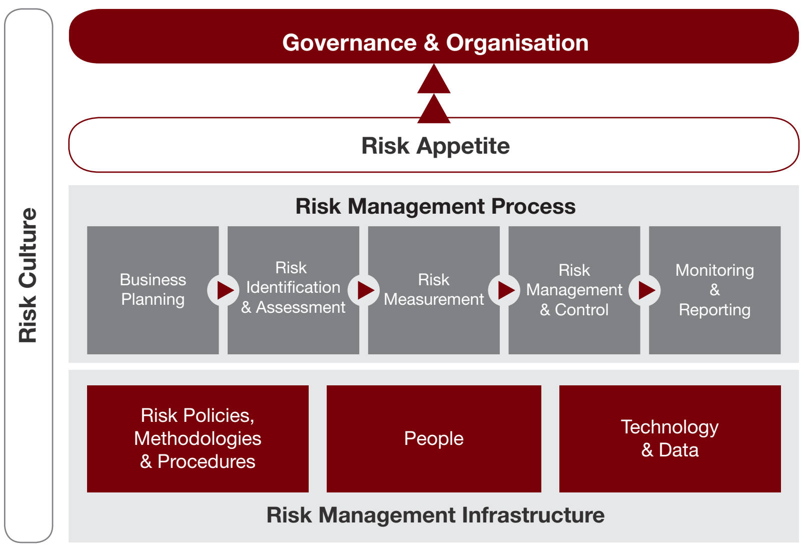
Generally, the objectives of our risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholder value through sound risk management framework.

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

Our Group employs an Enterprise-Wide Risk Management (EWRM) framework as a standardised approach to effectively manage our risks and opportunities. The EWRM framework provides our Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, the external environment and/or regulatory environment.

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



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

The key features of the EWRM framework include:

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

b) **Governance & Organisation:** A strong governance structure is important to ensure an effective and consistent implementation of the Group's EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.

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

d) **Risk Management Process:**

- Business Planning: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/new business activities.
- Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Group's risk policies, methodologies/standards and procedures/process guides.
- Risk Measurement: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- Risk Monitoring and Reporting: Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

e) **Risk Management Infrastructure:**

- Risk Policies, Methodologies/Standards and Procedures/Process Guides: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures/Process Guides provide more detailed guidance to assist with the implementation of policies.
- People: Attracting the right talent and skills is key to ensuring a well-functioning EWRM Framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management support risk management activities.

RISK GOVERNANCE

At the apex of the governance structure are the respective Boards of entities within the Group, which decides on the entity's risk appetite corresponding to its business strategies. Each BRCC reports directly into the respective Boards and assumes responsibility on behalf of the respective Boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. Each BRCC also oversees the implementation of the EWRM framework, provides strategic guidance and reviews the decisions of our GRCC.

To facilitate the effective implementation of the EWRM framework, our BRCC has established various specialised/sub-risk committees within our Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of supervising risk management functions is delegated to our GRCC comprised of senior management and reports directly to our BRCC. Our GRCC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of our Group. Our GRCC is supported by specialised risk committees, namely Group Credit Committee, Group Market Risk Committee, Group Operational Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

(i) Market risk, arising from fluctuations in the value of the trading or investment exposure resulting from movements in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(ii) Credit risk, arising from the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;

(iii) Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;

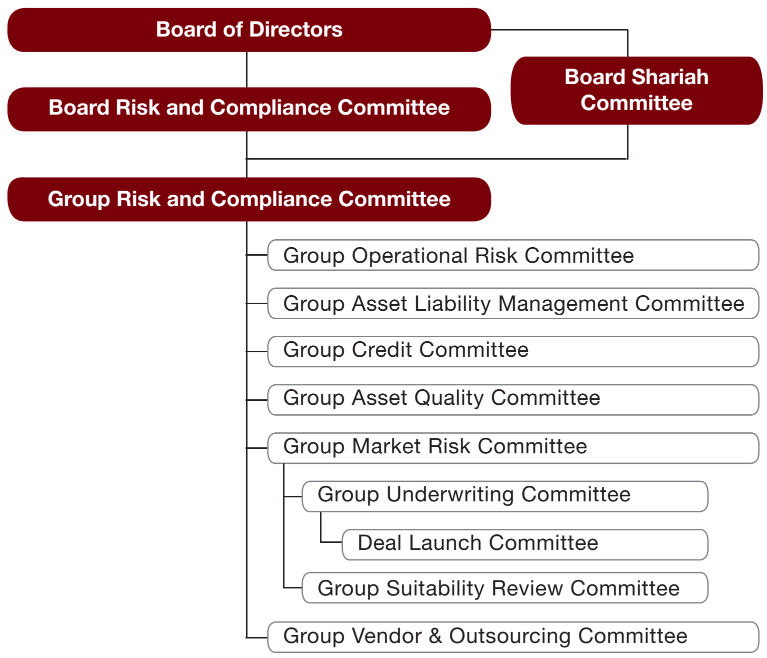
(iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group's earnings and economic value arising from movements in interest rates/rate of return;

(vi) Capital risk, arising from the failure to meet minimum regulatory and internal requirements which could incur regulatory sanction on our Group, thereby resulting in a potential capital charge; and

(vii) SNC risk, arising from risk of possible failure to comply with the Shariah requirements determined by the Shariah Advisory Council ("SAC") of BNM and Securities Commission ("SC"), Board Shariah Committee ("BSC") of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

The structure of CIMB Group Risk Committees is depicted in the following chart:



Our overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, our Group strives to ensure a consistent and standardised approach in its risk governance process. As such, our Group and regional committees have consultative and advisory responsibilities on regional matters across our Group as regulators allow. This structure increases regional communication regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus providing our Board with a comprehensive view of the activities within our Group.

THREE-LINES OF DEFENCE

Our Group's risk management culture is embodied through the adoption of the Three-Lines of Defence philosophy whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across our Group and risk management as an enabler of business units. As a first line of defence, the line management (including key business pillars and enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight and performs independent monitoring of business activities and reporting to management to ensure that our Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line of defence is Group Internal Audit Division who provides independent assurance of the adequacy and effectiveness of the internal controls and risk management processes.

THE ROLES OF GROUP CRO AND GROUP RISK DIVISION

Within the second line of defence is Group Risk, a function independent of business units. It assists our Group's management and stakeholders in the monitoring and controlling of risk exposures within the Board-approved risk appetite statement.

Group Risk is headed by the Group CRO, appointed by our Board to lead the Group-wide risk management functions including implementation of the EWRM framework. Our Group CRO:

(a) actively engages our Board and senior management on risk management issues and initiatives; and

(b) maintains an oversight on risk management functions across all entities within our Group. In each key country of operation, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and regulators in the respective countries.

The organisational structure of GRD is made up of two major components, namely the CRO and the Risk Centres of Excellence ("CoE"):

(a) CRO

(i) CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.

(ii) The CRO is supported by the CRO International Offices, who oversee the risk management functions of the regional offices e.g. branches and small overseas banking subsidiaries.

(iii) For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

(b) Risk Centres of Excellence

(i) These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.

(ii) The Risk CoEs consist of Risk Analytics & Infrastructure, Market Risk, Operational Risk (including Shariah Risk Management), Asset Liability Management and Credit Risk CoEs.

- **Risk Analytics & Infrastructure CoE**
  The Risk Analytics & Infrastructure CoE designs frameworks, validates credit risk models and tools and implements standardised infrastructure for risk management across the Group.

- **Market Risk CoE**
  The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value-at-Risk and market risk capital as well as performing stress testing.

- **Operational Risk CoE**
  The Operational Risk CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to identity, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line of defence's execution of the operational risk framework and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

  In October 2018, the Shariah Risk Management ("SRM") CoE has been integrated with the Operational Risk CoE. The SRM unit facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

- **Asset Liability Management CoE**
  The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and interest rate/ rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk / rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

- **Credit Risk CoE**
  The Credit Risk CoE consists of retail and non-retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies/standards and procedures/ process guides, credit risk models, underwriting and portfolio analytics.

In addition to the above Risk CoEs, there is also Group Data Governance CoE within Group Risk that formulates the Data Governance and Data Management framework, policy and procedures. It ensures standardisation and consistency of data governance and data management structure, methodology and data governance model across the Group and for country adoption.

In ensuring a standardised approach to risk management across the Group, all risk management teams within our Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without a risk management department, all risk management activities are centralised at relevant Risk CoEs. Otherwise, the risk management activities are performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

STRATEGIES AND PROCESSES FOR VARIOUS RISK MANAGEMENT

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book are available in the later sections.

SHARIAH GOVERNANCE DISCLOSURE

The Islamic business in CIMB Group is managed and overseen by the Group Islamic Banking (GIB). Its products and services are managed in strict compliance with Shariah under the guidance of CIMB Islamic Board Shariah Committee.

The Board of Directors of CIMB Group, CIMB Investment Bank Berhad, and CIMB Bank Berhad delegate and empower the Board of Directors of CIMB Islamic Bank Berhad to undertake the overall oversight function of the Islamic businesses and operations of the whole CIMB Group, which in turn delegates overseeing of the Shariah governance of Islamic businesses and activities in CIMB Group to CIMB's Board Shariah Committee established under CIMB Islamic Bank Berhad.

Whilst the Board of Directors is accountable for the overall Shariah governance and compliance of the Islamic businesses in CIMB Group, the Management is to ensure executions of business and operations are in accordance with Shariah principles and to provide necessary support to the Board Shariah Committee.

Shariah Advisory & Governance Department (S&G) of GIB which is basically a component of the Management serves as a coordinator of the overall Shariah governance of the Islamic businesses in CIMB Group. S&G is responsible to carry out Shariah Research, Advisory and Secretariat functions, whilst Shariah Review, Shariah Risk Management and Shariah Audit functions are performed by CIMB Group Compliance, Group Risk and Group Internal Audit respectively.

CIMB Group operates on a dual banking leverage model that utilises the full resources and infrastructure of CIMB Group. Accordingly, all divisions and staff of CIMB Group are responsible for complying with Shariah in their respective Islamic business activities.

In ensuring Islamic business activities are Shariah compliant and Shariah governance process are in place, S&G is to provide Shariah advisory and conduct in-depth Shariah research prior to submission to CIMB Board Shariah Committee. It is supported by control measures by Shariah Risk Management, regular review by Shariah Compliance Review and independent assessment by Shariah Audit. In CIMB Group, the Shariah Risk Management, Shariah Review, and Shariah Audit functions reside in Group Risk Division, Group Compliance, and Group Internal Audit Division respectively.

SHARIAH NON-COMPLIANCE INCOME DURING THE YEAR

During the year ended 31 December 2018, there was no SNC income.

CAPITAL MANAGEMENT

KEY CAPITAL MANAGEMENT PRINCIPLES

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

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

Included in the annual Capital Management Plan is the establishment of the internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Group considers many critical factors, including, amongst others, phasing-in of the capital adequacy requirement and capital buffer requirements, credit rating implication, current and future operating environment and peer comparisons.

CAPITAL STRUCTURE AND ADEQUACY

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

On 1 August 2016, BNM issued an updated framework which revised capital treatment for credit derivatives transactions in the trading book. In addition, the framework also clarifies on the following;

(i) Application of a 20% risk weight for the portion of residential mortgages guaranteed by Cagamas SRP Berhad under Cagamas MGP, Skim Rumah Pertamaku and Skim Perumahan Belia;

(ii) Application of a 100% risk weight to all residential mortgages with a loan/financing-to-value ratio of more than 90% approved and disbursed by banking institutions on or after 1 February 2011; and

(iii) Removal of the treatment for CGC's SME Assistance Guarantee Scheme as the scheme is no longer available.

Effective 1 August 2016, Commodity Finance and Object Finance portfolios are treated under Standardised Approach.

On 2 March 2017, BNM issued an updated framework whereby Banking institutions are provided the option to adopt the internal estimate method in computing effective maturity for non-retail exposures under F-IRB upon notifying the Bank. In addition, the framework also lists additional requirements to determine effective maturity for each facility under Advanced IRB approach.

On 2 February 2018, BNM issued an updated Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework (Capital Components). The framework has been updated to incorporate the revised definition of General Provisions and Specific Provisions arising from the implementation of MFRS 9 Financial Instruments.

On 2 February 2018, BNM issued an updated Capital Adequacy Framework for Islamic Banks (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Capital Components). The framework has been updated to incorporate the revised definition of General Provisions and Specific Provisions arising from the implementation of MFRS 9 Financial Instruments.

The risk weighted assets of the CIMB Bank Group (other than CIMB Thai Bank and CIMB Bank PLC), CIMB Bank and CIMB Islamic 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. It prescribes two approaches, the F-IRB Approach and A-IRB Approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The risk-weighted assets of CIMB Investment Bank Group are computed in accordance with Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk based on the Capital Adequacy Framework (Basel II - Risk Weighted Assets).

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below present the Capital Position of CIMBBG, CIMBISLG and CIMBIBG respectively.

Table 1(a): Capital Position for CIMBBG

	CIMBBG	
(RM'000)	**2018**	**2017**
Common Equity Tier 1 capital		
Ordinary shares	**20,088,345**	17,610,939
Other reserves	**20,539,125**	20,007,741
Qualifying non-controlling interests	**156,841**	152,698
Less Proposed dividend	**(1,135,854)**	(1,627,553)
Common Equity Tier 1 capital before regulatory adjustments	**39,648,457**	36,143,825
Less: Regulatory adjustments		
Goodwill	**(5,213,838)**	(5,177,536)
Intangible assets	**(975,612)**	(951,237)
Deferred tax assets	**(776,984)**	(382,224)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	**–**	–
Regulatory reserve	**(1,542,976)**	(1,500,556)
Others	**(2,182)**	(275,149)
Common equity Tier 1 capital after regulatory adjustments	**31,136,865**	27,857,123
Additional Tier 1 capital		
Perpetual preference shares	**200,000**	200,000
Innovative Tier 1 Capital	**1,000,000**	1,000,000
Perpetual subordinated capital securities	**1,400,000**	1,400,000
Qualifying capital instruments held by third parties	**32,685**	30,301
Additional Tier 1 capital before regulatory adjustments	**2,632,685**	2,630,301
Less: Regulatory adjustments		
Investments in Additional Tier 1 capital instruments of unconsolidated financial and insurance/takaful entities	**(5,956)**	(2,641)
Additional Tier 1 capital after regulatory adjustments	**2,626,729**	2,627,660
Total Tier 1 capital	**33,763,594**	30,484,783
Tier 2 Capital		
Subordinated notes	**7,900,000**	7,050,000
Redeemable preference shares	**29,740**	29,740
Surplus of eligible provisions over expected loss	**325,153**	118,446
Qualifying capital instruments held by third parties	**408,443**	363,627
General provisions	**659,423**	651,277
Tier 2 capital before regulatory adjustments	**9,322,759**	8,213,090
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(759)**	(660)
Total Tier 2 Capital	**9,322,000**	8,212,430
Total Capital Base	**43,085,594**	38,697,213

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(a): Capital Position for CIMBBG (continued)

(RM'000)	CIMBBG 2018	CIMBBG 2017
RWA		
Credit risk	**203,544,033**	193,146,506
Market risk	**16,395,328**	14,125,733
Operational risk	**20,794,460**	19,782,736
Large Exposure risk requirement	**881,647**	768,600
Total RWA	**241,615,468**	227,823,575
Capital Adequacy Ratios		
Before deducting proposed dividend		
Common Equity Tier 1 Ratio	**13.357%**	12.942%
Tier 1 ratio	**14.444%**	14.095%
Total capital ratio	**18.302%**	17.700%
After deducting proposed dividend		
Common Equity Tier 1 Ratio	**12.887%**	12.227%
Tier 1 ratio	**13.974%**	13.381%
Total capital ratio	**17.832%**	16.986%

The Total Capital ratio increased in 2018 compared to 2017 primarily due to increased Total Capital mainly due to (i) higher retained earnings; (ii) higher paid-up capital and share premium arising from reinvestment of the cash surplus from CIMB Group's 11th and 12th Dividend Reinvestment Scheme ("DRS"); (iii) issuance of RM700 million 10 years non-callable 5 years Tier 2 Subordinated debt and RM1.2 billion 11 years non-callable 6 years Tier 2 Subordinated debt to CIMB Group Holdings Berhad; and (iv) redemption of RM750 million Tier 2 Subordinated debt and RM300 million Tier 2 Subordinated debt during the year. The increase in credit RWA was mainly contributed by increased corporate RWA but offset by decreased retail RWA.

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(b): Capital Position for CIMBISLG

	CIMBISLG	
(RM'000)	**2018**	**2017**
Common Equity Tier 1 capital		
Ordinary shares	**1,000,000**	1,000,000
Other reserves	**4,294,476**	3,575,006
Common Equity Tier 1 capital before regulatory adjustments	**5,294,476**	4,575,006
Less: Regulatory adjustments		
Goodwill	**(136,000)**	(136,000)
Intangible assets	**(71,330)**	(78,777)
Deferred tax assets	**(77,454)**	(18,110)
Regulatory reserve	**(404,378)**	(291,601)
Others	**–**	–
Common equity Tier 1 capital after regulatory adjustments	**4,605,314**	4,050,518
Additional Tier 1 capital		
Perpetual preference shares	**178,000**	185,000
Additional Tier 1 capital before regulatory adjustments	**178,000**	185,000
Less: Regulatory adjustments		
Investments in Additional Tier 1 capital instruments of unconsolidated financial & insurance/takaful entities	**–**	–
Additional Tier 1 capital after regulatory adjustments	**178,000**	185,000
Total Tier 1 capital	**4,783,314**	4,235,518
Tier 2 Capital		
Subordinated notes	**610,000**	610,000
Surplus eligible provisions over expected loss	**67,113**	40,693
General provisions	**62,110**	80,753
Tier 2 capital before regulatory adjustments	**739,223**	731,446
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**–**	–
Total Tier 2 Capital	**739,223**	731,446
Total Capital Base	**5,522,537**	4,966,964
RWA		
Credit risk	**30,912,773**	27,492,145
Market risk	**452,745**	629,312
Operational risk	**2,742,472**	2,371,656
Total RWA	**34,107,990**	30,493,113
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	**13.502%**	13.283%
Tier 1 ratio	**14.024%**	13.890%
Total capital ratio	**16.191%**	16.289%

Total capital ratio decreased in 2018 compared to 2017 mainly contributed by increased RWA. The increase in credit RWA was mainly due to increased corporate RWA and retail RWA. However, market RWA decreased mainly contributed by decreased Profit Risk RWA and FX RWA.

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(c): Capital Position for CIMBIBG

	CIMBIBG	
(RM'000)	**2018**	**2017**
Common Equity Tier 1 capital		
Ordinary shares	**100,000**	100,000
Other reserves	**515,322**	583,317
Proposed dividends	**(15,990)**	(92,000)
Common Equity Tier 1 capital before regulatory adjustments	**599,332**	591,317
Less: Regulatory adjustments		
Goodwill	**(964)**	(964)
Deferred tax assets	**(19,239)**	(21,344)
Deductions in excess of Tier 1 and Tier 2 capital	**(4,251)**	(1,417)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(9,311)**	(6,859)
Regulatory reserve	**–**	(1,952)
Others	**–**	(174)
Common equity Tier 1 capital after regulatory adjustments/Total Tier 1 capital	**565,567**	558,607
Tier 2 Capital		
Redeemable preference shares	**4**	5
Portfolio impairment allowance and regulatory reserves	**–**	2,037
Tier 2 capital before regulatory adjustments	**4**	2,042
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(4,255)**	(3,459)
Total Tier 2 Capital	**–**	–
Total Capital Base	**565,567**	558,607
RWA		
Credit risk	**898,080**	1,110,035
Market risk	**397,868**	56,342
Operational risk	**573,431**	643,358
Total RWA	**1,869,379**	1,809,735
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	**31.110%**	35.950%
Tier 1 ratio	**31.110%**	35.950%
Total capital ratio	**31.110%**	35.950%
After deducting proposed dividend		
Common Equity Tier 1 Ratio	**30.254%**	30.867%
Tier 1 ratio	**30.254%**	30.867%
Total capital ratio	**30.254%**	30.867%

Total capital ratio decreased in 2018 compared to 2017 mainly due to increased market RWA. The increase in market RWA was mainly contributed by increased option RWA.

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below show the RWA under various exposure classes under the relevant approach and applying the minimum regulatory capital requirement at 8% to establish the minimum capital required for each of the exposure classes:

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG

2018	CIMBBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	61,427,503	61,427,503	611,168	611,168	48,893
Public Sector Entities	9,655,818	9,353,236	70,647	70,647	5,652
Banks, DFIs & MDBs	9,913,929	9,911,527	3,358,016	3,358,016	268,641
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,078,569	3,074,109	2,135,913	2,135,913	170,873
Corporate	27,909,373	23,313,075	22,589,477	22,587,034	1,806,963
Regulatory Retail	18,410,175	16,847,901	12,775,005	12,774,420	1,021,954
Residential Mortgages/RRE Financing	10,297,811	10,295,352	6,233,295	6,231,879	498,550
Higher Risk Assets	1,118,173	1,118,173	1,677,260	1,677,260	134,181
Other Assets	11,155,765	11,155,765	3,251,501	3,251,501	260,120
Securitisation	268,519	268,519	53,704	53,704	4,296
Equity Exposure	2,290	2,290	2,290	2,290	183
Total for SA	153,237,927	146,767,450	52,758,276	52,753,832	4,220,307
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	18,792,848	18,792,848	5,507,326	5,507,326	440,586
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	132,231,968	132,231,968	89,591,366	89,510,311	7,160,825
Residential Mortgages/RRE Financing	76,407,008	76,407,008	15,798,963	15,714,197	1,257,136
Qualifying Revolving Retail	13,195,966	13,195,966	7,868,778	7,868,778	629,502
Hire Purchase	15,949,976	15,949,976	9,053,774	8,730,476	698,438
Other Retail	59,365,086	59,365,086	14,930,276	14,923,818	1,193,905
Securitisation	–	–	–	–	–
Total for IRB Approach	315,942,853	315,942,853	142,750,484	142,254,907	11,380,393
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	469,180,780	462,710,303	204,073,788	203,544,033	16,283,523
Large Exposure Risk Requirement	881,647	881,647	881,647	881,647	70,532
Market Risk (SA)					
Interest Rate Risk/profit Rate Risk			12,627,194	12,627,194	1,010,176
Foreign Currency Risk			800,915	800,915	64,073
Equity Risk			521,180	521,180	41,694
Commodity Risk			1,595,968	1,595,968	127,677
Options Risk			–	–	–
Total Market Risk			16,395,328	16,395,328	1,311,626
Operational Risk (BIA)			20,794,460	20,794,460	1,663,557
Total RWA and Capital Requirement			242,145,223	241,615,468	19,329,237

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG (continued)

2017	CIMBBG				
(RM'000) Exposure Class	**Gross Exposure before CRM (SA)/EAD (IRB)**	**Net Exposure after CRM (SA)/EAD (IRB)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	59,160,661	58,976,950	499,407	499,407	39,953
Public Sector Entities	4,289,987	680,630	11,075	11,075	886
Banks, DFIs & MDBs	4,921,204	8,305,450	2,295,668	2,295,668	183,653
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,391,365	1,912,089	1,008,809	1,008,809	80,705
Corporate	32,932,790	24,367,256	25,224,786	25,192,742	2,015,419
Regulatory Retail	32,050,549	22,841,936	18,872,597	18,872,597	1,509,808
Residential Mortgages/RRE Financing	8,033,608	8,031,099	2,950,837	2,950,837	236,067
Higher Risk Assets	1,111,101	1,111,101	1,666,652	1,666,652	133,332
Other Assets	10,012,117	9,987,982	3,309,748	3,309,748	264,780
Securitisation	251,895	251,895	50,379	50,379	4,030
Total for SA	155,155,277	136,466,389	55,889,958	55,857,914	4,468,633
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	22,471,146	22,471,146	5,063,212	5,063,212	405,057
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	129,721,392	129,721,392	80,600,782	80,600,782	6,448,063
Residential Mortgages/RRE Financing	70,126,286	70,126,286	17,727,261	17,641,134	1,411,291
Qualifying Revolving Retail	14,805,912	14,805,912	8,473,086	8,473,086	677,847
Hire Purchase	15,169,435	15,169,435	8,684,621	8,684,621	694,770
Other Retail	34,536,836	34,536,836	9,055,419	9,054,705	724,376
Securitisation	–	–	–	–	–
Total for IRB Approach	286,831,006	286,831,006	129,604,382	129,517,540	10,361,403
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	441,986,283	423,297,395	193,270,603	193,146,506	15,451,721
Large Exposure Risk Requirement	768,600	768,600	768,600	768,600	61,488
Market Risk (SA)					
Interest Rate Risk/profit Rate Risk			10,497,047	10,497,047	839,764
Foreign Currency Risk			888,912	888,912	71,113
Equity Risk			896,528	896,528	71,722
Commodity Risk			586,361	586,361	46,909
Options Risk			1,256,886	1,256,886	100,551
Total Market Risk			14,125,733	14,125,733	1,130,059
Operational Risk (BIA)			19,782,736	19,782,736	1,582,619
Total RWA and Capital Requirement			227,947,672	227,823,576	18,225,886

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG

2018	CIMBISLG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	19,140,796	19,140,796	–	–	–
Public Sector Entities	5,315,313	5,315,313	63,063	63,063	5,045
Banks, DFIs & MDBs	176,064	176,064	5,138	5,138	411
Takaful Operators, Securities Firms & Fund Managers	15,758	15,248	3,050	3,050	244
Corporate	2,781,972	2,756,519	2,621,537	2,605,599	208,448
Regulatory Retail	2,638,263	2,593,541	2,231,567	2,230,981	178,478
RRE Financing	27,813	27,813	13,775	12,359	989
Higher Risk Assets	575	575	863	863	69
Other Assets	71,285	71,285	43,547	43,547	3,484
Securitisation	21,006	21,006	4,201	4,201	336
Total for SA	30,188,845	30,118,160	4,986,740	4,968,800	397,504
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,619,133	1,619,133	350,506	336,571	26,926
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	27,223,174	27,223,174	16,583,627	11,897,559	951,805
RRE Financing	16,860,233	16,860,233	4,277,123	4,192,358	335,389
Qualifying Revolving Retail	272,379	272,379	207,112	207,112	16,569
Hire Purchase	7,388,722	7,388,722	4,212,472	3,889,174	311,134
Other Retail	21,055,250	21,055,250	3,959,130	3,952,672	316,214
Securitisation	–	–	–	–	–
Total for IRB Approach	74,418,890	74,418,890	29,589,971	24,475,447	1,958,036
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	104,607,736	104,537,050	36,352,109	30,912,773	2,473,022
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			413,836	413,836	33,107
Foreign Currency Risk			38,908	38,908	3,113
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			452,745	452,745	36,220
Operational Risk (BIA)			2,742,472	2,742,472	219,398
Total RWA and Capital Requirement			39,547,326	34,107,991	2,728,639

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG (continued)

2017	CIMBISLG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	18,365,790	18,365,790	4,421	4,421	354
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,085,897	1,085,897	458,341	458,341	36,667
Takaful Operators, Securities Firms & Fund Managers	3,899	3,389	1,694	1,694	136
Corporate	10,214,802	3,495,594	3,450,083	3,401,426	272,114
Regulatory Retail	2,791,211	2,762,406	2,390,301	2,390,301	191,224
RRE Financing	4,052	4,052	2,026	2,026	162
Higher Risk Assets	575	575	863	863	69
Other Assets	167,611	167,611	152,416	152,416	12,193
Securitisation	502	502	100	100	8
Total for SA	32,634,340	25,885,816	6,460,244	6,411,587	512,927
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	2,331,544	2,331,544	544,272	521,513	41,721
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	28,456,918	28,456,918	13,926,006	9,762,397	780,992
RRE Financing	13,477,280	13,477,280	4,118,383	4,032,255	322,580
Qualifying Revolving Retail	252,713	252,713	174,837	174,837	13,987
Hire Purchase	5,679,624	5,679,624	3,332,887	3,332,887	266,631
Other Retail	6,515,474	6,515,474	2,064,143	2,063,429	165,074
Securitisation	–	–	–	–	–
Total for IRB Approach	56,713,553	56,713,553	24,160,528	19,887,319	1,590,986
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	89,347,892	82,599,369	32,070,404	27,492,145	2,199,372
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			558,502	558,502	44,680
Foreign Currency Risk			70,810	70,810	5,665
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			629,312	629,312	50,345
Operational Risk (BIA)			2,371,656	2,371,656	189,732
Total RWA and Capital Requirement			35,071,372	30,493,113	2,439,449

Capital Management

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG

2018	CIMBIBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk (SA)					
Sovereign/Central Banks	747,418	747,418	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,299,023	1,299,023	629,224	629,224	50,338
Insurance Cos, Securities Firms & Fund Managers	9,814	9,814	9,814	9,814	785
Corporate	1,444	1,444	1,483	1,483	119
Regulatory Retail	–	–	–	–	–
Residential Mortgages	2	2	1	1	0
Higher Risk Assets	–	–	–	–	–
Other Assets	257,578	257,578	257,559	257,559	20,605
Securitisation	–	–	–	–	–
Total Credit Risk	2,315,278	2,315,278	898,080	898,080	71,846
Large Exposure Risk Requirement					
Market Risk (SA)					
Interest Rate Risk			7,197	7,197	576
Foreign Currency Risk			40,476	40,476	3,238
Equity Risk			6,446	6,446	516
Commodity Risk			–	–	–
Options Risk			343,750	343,750	27,500
Total Market Risk			397,868	397,868	31,829
Operational Risk (BIA)			573,431	573,431	45,875
Total RWA and Capital Requirement			1,869,380	1,869,380	149,550

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG (continued)

2017	CIMBIBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk (SA)					
Sovereign/Central Banks	1,065,489	1,065,489	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,390,035	1,390,035	687,778	687,778	55,022
Insurance Cos, Securities Firms & Fund Managers	12,097	12,097	12,097	12,097	968
Corporate	18,251	18,137	18,137	18,137	1,451
Regulatory Retail	106	106	79	79	6
Residential Mortgages	155,283	155,283	82,122	82,122	6,570
Higher Risk Assets	–	–	–	–	–
Other Assets	309,842	309,842	309,822	309,822	24,786
Securitisation	–	–	–	–	–
Total Credit Risk	2,951,102	2,950,988	1,110,035	1,110,035	88,803
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			9,113	9,113	729
Foreign Currency Risk			45,263	45,263	3,621
Equity Risk			1,967	1,967	157
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			56,342	56,342	4,507
Operational Risk (BIA)			643,358	643,358	51,469
Total RWA and Capital Requirement			1,809,735	1,809,735	144,779

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Group has in place an EWRM framework that aligns ICAAP requirements into the Group's risk management and control activities. The coverage of ICAAP includes the following:

a) Assessing the risk profile of the bank.
b) Assessing the capital adequacy and capital management strategies.
c) Monitoring compliance with regulatory requirement on capital adequacy.
d) Reporting to management and regulator on ICAAP.
e) Governance and independent review.

The full ICAAP cycle, from initial planning to regulatory submission and independent review, involves close coordination among the risk, capital and finance functions together and business and support divisions. In line with BNM's guidelines on RWCAF (Basel II) – ICAAP (Pillar 2) and CAFIB – ICAAP (Pillar 2), the Group submits its ICAAP report to the BRCC for approval and the Board for notification.

CREDIT RISK

Credit risk is defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance, as well as commitments to support clients' obligations to third parties, e.g. guarantees or kafalah contracts.

In derivatives, sales and trading activities, credit risk arises from the possibility that our Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

CREDIT RISK MANAGEMENT

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, our Group implemented the risk-based delegated authority framework. This framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner and Group Risk as a function independent from the business units is the second line of defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompasses joint delegated authority, enhanced credit approval process and outlines a clear set of policies and procedures that defines the limits and types of authority designated to specific individuals.

Our Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authority holders between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units' officers are delegated with credit approving authority to approve low valued credit facilities. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and relevant credit committee.

The GRCC with the support of Group Credit Committee, Group Asset Quality Committee, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes reviewing and analysing portfolio trends, asset quality, watch-list and policy. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with country sector limit, single customer and country and global counterparty limits are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. For retail products, portfolio limits are monitored monthly by Group Risk.

It is our Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for our Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis, and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

SUMMARY OF CREDIT EXPOSURES

i) **Gross Credit Exposures by Geographic Distribution**

The geographic distribution is based on the country in which the portfolio is geographically managed.

The following tables represent the Group's credit exposures by geographic region:

Table 3(a): Geographic Distribution of Credit Exposures for CIMBBG

	CIMBBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
2018					
Sovereign	**51,820,158**	**3,704,695**	**5,387,891**	**514,759**	**61,427,503**
PSE	**9,655,818**	**–**	**–**	**–**	**9,655,818**
Bank	**15,493,590**	**2,653,924**	**8,854,835**	**1,704,428**	**28,706,777**
Corporate	**108,924,131**	**31,206,124**	**16,596,867**	**6,492,788**	**163,219,911**
Mortgage/RRE Financing	**72,278,433**	**4,808,553**	**9,346,547**	**271,287**	**86,704,820**
HPE	**15,949,976**	**–**	**–**	**–**	**15,949,976**
QRRE	**10,580,220**	**2,615,746**	**–**	**–**	**13,195,966**
Other Retail	**67,380,603**	**2,246,890**	**7,380,662**	**767,108**	**77,775,262**
Other Exposures	**6,081,016**	**406,593**	**4,884,151**	**1,172,988**	**12,544,748**
Total Gross Credit Exposure	**358,163,944**	**47,642,525**	**52,450,952**	**10,923,358**	**469,180,780**
2017					
Sovereign	52,411,506	4,884,977	1,361,113	503,065	59,160,661
Bank	18,234,109	4,786,668	6,841,835	1,819,725	31,682,337
Corporate	117,839,069	28,064,300	14,323,574	4,818,603	165,045,547
Mortgage/RRE Financing	65,493,937	5,181,395	7,215,084	269,477	78,159,894
HPE	15,169,435	–	–	–	15,169,435
QRRE	12,089,425	2,716,487	–	–	14,805,912
Other Retail	55,994,751	2,798,052	7,228,081	566,500	66,587,384
Other Exposures	5,822,645	410,523	4,457,169	684,776	11,375,113
Total Gross Credit Exposure	343,054,877	48,842,402	41,426,857	8,662,147	441,986,283

Credit Risk

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

i) **Gross Credit Exposures by Geographic Distribution (continued)**

Table 3(b): Geographic Distribution of Credit Exposures for CIMBISLG

	CIMBISLG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
2018					
Sovereign	**19,140,796**	**–**	**–**	**–**	**19,140,796**
PSE	**5,315,313**	**–**	**–**	**–**	**5,315,313**
Bank	**1,795,196**	**–**	**–**	**–**	**1,795,196**
Corporate	**30,020,904**	**–**	**–**	**–**	**30,020,904**
RRE Financing	**16,888,046**	**–**	**–**	**–**	**16,888,046**
HPE	**7,388,722**	**–**	**–**	**–**	**7,388,722**
QRRE	**272,379**	**–**	**–**	**–**	**272,379**
Other Retail	**23,693,513**	**–**	**–**	**–**	**23,693,513**
Other Exposures	**92,867**	**–**	**–**	**–**	**92,867**
Total Gross Credit Exposure	**104,607,736**	**–**	**–**	**–**	**104,607,736**
2017					
Sovereign	18,365,790	–	–	–	18,365,790
Bank	3,417,442	–	–	–	3,417,442
Corporate	38,675,619	–	–	–	38,675,619
RRE Financing	13,481,332	–	–	–	13,481,332
HPE	5,679,624	–	–	–	5,679,624
QRRE	252,713	–	–	–	252,713
Other Retail	9,306,685	–	–	–	9,306,685
Other Exposures	168,688	–	–	–	168,688
Total Gross Credit Exposure	89,347,892	–	–	–	89,347,892

Table 3(c): Geographic Distribution of Credit Exposures for CIMBIBG

	CIMBIBG				
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
2018					
Sovereign	**747,418**	**–**	**–**	**–**	**747,418**
Bank	**1,299,023**	**–**	**–**	**–**	**1,299,023**
Corporate	**11,257**	**–**	**–**	**–**	**11,257**
Mortgage	**2**	**–**	**–**	**–**	**2**
HPE	**–**	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**	**–**
Other Retail	**–**	**–**	**–**	**–**	**–**
Other Exposures	**257,578**	**–**	**–**	**–**	**257,578**
Total Gross Credit Exposure	**2,315,278**	**–**	**–**	**–**	**2,315,278**
2017					
Sovereign	1,065,489	–	–	–	1,065,489
Bank	1,390,035	–	–	–	1,390,035
Corporate	30,348	–	–	–	30,348
Mortgage	155,283	–	–	–	155,283
HPE	–	–	–	–	–
QRRE	–	–	–	–	–
Other Retail	106	–	–	–	106
Other Exposures	309,842	–	–	–	309,842
Total Gross Credit Exposure	2,951,102	–	–	–	2,951,102

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

ii) **Gross Credit Exposures by Sector**

The following tables represent the Group's credit exposures analysed by sector:

Table 4(a): Distribution of Credit Exposures by Sector for CIMBBG

	CIMBBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
2018												
Sovereign	**255,949**	**–**	**–**	**1,115,226**	**3,423,142**	**–**	**3,900,777**	**26,705,327**	**24,332,055**	**–**	**1,695,027**	**61,427,503**
PSE	**2,817**	**–**	**–**	**–**	**–**	**–**	**50**	**272,005**	**9,380,618**	**–**	**328**	**9,655,818**
Bank	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,706,777**	**–**	**–**	**–**	**28,706,777**
Corporate	**8,453,103**	**9,217,775**	**13,421,794**	**9,353,689**	**17,826,373**	**18,578,151**	**16,122,245**	**47,330,180**	**11,574,605**	**7,322,781**	**4,019,213**	**163,219,911**
Mortgage/RRE Financing	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**86,704,820**	**–**	**86,704,820**
HPE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15,949,976**	**–**	**15,949,976**
QRRE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,195,966**	**–**	**13,195,966**
Other Retail	**192,707**	**59,915**	**1,234,507**	**24,989**	**816,145**	**2,059,626**	**320,495**	**2,760,767**	**610,401**	**69,695,709**	**–**	**77,775,262**
Other Exposures	**–**	**–**	**2,313**	**1,900**	**–**	**460**	**–**	**1,284,240**	**93,120**	**–**	**11,162,715**	**12,544,748**
Total Gross Credit Exposure	**8,904,577**	**9,277,690**	**14,658,614**	**10,495,805**	**22,065,661**	**20,638,237**	**20,343,568**	**107,059,295**	**45,990,799**	**192,869,251**	**16,877,283**	**469,180,780**
2017												
Sovereign	254,588	–	–	1,235,206	2,681,899	–	3,510,585	25,514,005	24,886,893	–	1,077,486	59,160,661
Bank	–	–	–	–	–	–	–	31,366,485	315,852	–	–	31,682,337
Corporate	8,168,045	8,725,500	13,881,602	7,656,272	16,938,273	18,861,455	15,260,502	39,352,602	20,010,289	13,039,397	3,151,609	165,045,547
Mortgage/ RRE Financing	–	–	–	–	–	–	–	–	–	78,159,894	–	78,159,894
HPE	–	–	–	–	–	–	–	–	–	15,169,435	–	15,169,435
QRRE	–	–	–	–	–	–	–	–	–	14,805,912	–	14,805,912
Other Retail	721,290	54,348	1,193,024	31,136	859,207	2,064,961	249,605	2,380,372	6,462,683	52,570,759	–	66,587,384
Other Exposures	–	–	16,782	1,854	269	16,439	102	1,282,447	21,930	–	10,035,289	11,375,113
Total Gross Credit Exposure	9,143,922	8,779,848	15,091,409	8,924,468	20,479,649	20,942,855	19,020,794	99,895,911	51,697,646	173,745,397	14,264,385	441,986,283

* *Others are exposures which are not elsewhere classified.*

Credit Risk

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

ii) **Gross Credit Exposures by Sector (continued)**

The following tables represent the Group's credit exposures analysed by sector:

Table 4(b): Distribution of Credit Exposures by Sector for CIMBISLG

	CIMBISLG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Islamic Finance, Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
2018												
Sovereign	**54,814**	**–**	**–**	**221,175**	**1,210,734**	**–**	**1,001,651**	**12,071,350**	**3,378,888**	**–**	**1,202,183**	**19,140,796**
PSE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**271,731**	**5,043,582**	**–**	**–**	**5,315,313**
Bank	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,795,196**	**–**	**–**	**–**	**1,795,196**
Corporate	**2,367,624**	**1,658,636**	**2,579,253**	**461,822**	**5,134,881**	**2,312,588**	**4,791,532**	**9,058,999**	**1,125,297**	**421,304**	**108,968**	**30,020,904**
RRE Financing	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16,888,046**	**–**	**16,888,046**
HPE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,388,722**	**–**	**7,388,722**
QRRE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**272,379**	**–**	**272,379**
Other Retail	**17,270**	**8,285**	**68,833**	**1,765**	**76,705**	**158,586**	**12,647**	**203,692**	**38,576**	**23,079,979**	**27,176**	**23,693,513**
Other Exposures	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**575**	**21,006**	**–**	**71,285**	**92,867**
Total Gross Credit Exposure	**2,439,707**	**1,666,921**	**2,648,086**	**684,761**	**6,422,321**	**2,471,174**	**5,805,831**	**23,401,543**	**9,607,350**	**48,050,430**	**1,409,613**	**104,607,736**
2017												
Sovereign	54,630	–	–	215,744	639,900	–	688,221	13,783,946	2,317,511	–	665,839	18,365,790
Bank	–	–	–	–	–	–	–	3,417,442	–	–	–	3,417,442
Corporate	2,184,661	1,759,821	1,809,009	591,971	3,836,808	1,349,713	3,193,842	6,783,612	7,955,832	9,163,564	46,786	38,675,619
RRE Financing	–	–	–	–	–	–	–	–	–	13,481,332	–	13,481,332
HPE	–	–	–	–	–	–	–	–	–	5,679,624	–	5,679,624
QRRE	–	–	–	–	–	–	–	–	–	252,713	–	252,713
Other Retail	11,786	5,165	57,627	1,932	66,809	131,451	5,788	203,101	38,174	8,753,043	31,810	9,306,685
Other Exposures	–	–	–	–	–	–	–	575	502	–	167,611	168,688
Total Gross Credit Exposure	2,251,076	1,764,986	1,866,636	809,646	4,543,517	1,481,164	3,887,851	24,188,676	10,312,019	37,330,276	912,046	89,347,892

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

ii) Gross Credit Exposures by Sector (continued)

The following tables represent the Group's credit exposures analysed by sector:

Table 4(c): Distribution of Credit Exposures by Sector for CIMBIBG

	CIMBIBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
2018												
Sovereign	–	–	–	–	–	–	–	747,418	–	–	–	747,418
Bank	–	–	–	–	–	–	–	1,299,023	–	–	–	1,299,023
Corporate	–	–	–	–	–	–	–	652	214	229	10,162	11,257
Mortgage	–	–	–	–	–	–	–	–	–	2	–	2
HPE	–	–	–	–	–	–	–	–	–	–	–	–
QRRE	–	–	–	–	–	–	–	–	–	–	–	–
Other Retail	–	–	–	–	–	–	–	–	–	–	–	–
Other Exposures	–	–	–	–	–	–	–	–	–	293	257,285	257,578
Total Gross Credit Exposure	–	–	–	–	–	–	–	2,047,093	214	524	267,447	2,315,278
2017												
Sovereign	–	–	–	–	–	–	–	1,065,489	–	–	–	1,065,489
Bank	–	–	–	–	–	–	–	1,390,035	–	–	–	1,390,035
Corporate	–	–	–	–	–	–	–	2,047	687	15,126	12,488	30,348
Mortgage	–	–	–	–	–	–	–	–	–	155,283	–	155,283
HPE	–	–	–	–	–	–	–	–	–	–	–	–
QRRE	–	–	–	–	–	–	–	–	–	–	–	–
Other Retail	–	–	–	–	–	–	–	–	–	106	–	106
Other Exposures	–	–	–	–	–	–	–	–	–	349	309,493	309,842
Total Gross Credit Exposure	–	–	–	–	–	–	–	2,457,571	687	170,863	321,981	2,951,102

* *Others are exposures which are not elsewhere classified.*

Credit Risk

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

iii) **Gross Credit Exposures by Residual Contractual Maturity**

The following tables represent the Group's credit exposures analysed by residual contractual maturity:

Table 5(a): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBBG

	CIMBBG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
2018				
Sovereign	**25,023,513**	**13,371,340**	**23,032,650**	**61,427,503**
PSE	**1,942,271**	**3,548,283**	**4,165,265**	**9,655,818**
Bank	**13,533,743**	**12,628,215**	**2,544,819**	**28,706,777**
Corporate	**60,122,547**	**52,427,576**	**50,669,788**	**163,219,911**
Mortgage/RRE Financing	**38,946**	**727,736**	**85,938,137**	**86,704,820**
HPE	**150,451**	**5,470,382**	**10,329,143**	**15,949,976**
QRRE	**13,195,966**	**–**	**–**	**13,195,966**
Other Retail	**3,031,568**	**7,968,439**	**66,775,255**	**77,775,262**
Other Exposures	**4,814,925**	**204,346**	**7,525,477**	**12,544,748**
Total Gross Credit Exposure	**121,853,929**	**96,346,318**	**250,980,534**	**469,180,780**
2017				
Sovereign	26,360,932	10,706,986	22,092,743	59,160,661
Bank	18,231,630	8,126,475	5,324,231	31,682,337
Corporate	52,450,857	55,860,461	56,734,228	165,045,547
Mortgage/RRE Financing	53,180	728,135	77,378,578	78,159,894
HPE	139,936	4,878,974	10,150,525	15,169,435
QRRE	14,805,912	–	–	14,805,912
Other Retail	4,199,677	6,721,465	55,666,243	66,587,384
Other Exposures	39,430	202,864	11,132,820	11,375,113
Total Gross Credit Exposure	116,281,554	87,225,359	238,479,369	441,986,283

Table 5(b): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBISLG

	CIMBISLG			
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
2018				
Sovereign	**10,042,309**	**2,172,341**	**6,926,145**	**19,140,796**
PSE	**1,639,371**	**3,543,079**	**132,863**	**5,315,313**
Bank	**1,122,752**	**511,503**	**160,941**	**1,795,196**
Corporate	**10,384,263**	**6,344,323**	**13,292,318**	**30,020,904**
RRE Financing	**6,058**	**77,601**	**16,804,386**	**16,888,046**
HPE	**81,128**	**1,540,447**	**5,767,148**	**7,388,722**
QRRE	**272,379**	**–**	**–**	**272,379**
Other Retail	**50,077**	**469,846**	**23,173,590**	**23,693,513**
Other Exposures	**502**	**20,504**	**71,860**	**92,867**
Total Gross Credit Exposure	**23,598,840**	**14,679,646**	**66,329,250**	**104,607,736**
2017				
Sovereign	12,232,524	1,462,202	4,671,064	18,365,790
Bank	1,806,353	542,362	1,068,727	3,417,442
Corporate	8,481,567	9,926,172	20,267,880	38,675,619
RRE Financing	4,113	80,355	13,396,863	13,481,332
HPE	81,961	1,885,071	3,712,592	5,679,624
QRRE	252,713	–	–	252,713
Other Retail	44,711	314,423	8,947,550	9,306,685
Other Exposures	–	502	168,186	168,688
Total Gross Credit Exposure	22,903,942	14,211,087	52,232,863	89,347,892

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

iii) **Gross Credit Exposures by Residual Contractual Maturity (continued)**

Table 5(c): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBIBG

	CIMBIBG			
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
2018				
Sovereign	**747,065**	**–**	**353**	**747,418**
Bank	**921,644**	**–**	**377,379**	**1,299,023**
Corporate	**1**	**4**	**11,252**	**11,257**
Mortgage	**–**	**–**	**2**	**2**
HPE	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**
Other Retail	**–**	**–**	**–**	**–**
Other Exposures	**293**	**–**	**257,285**	**257,578**
Total Gross Credit Exposure	**1,669,004**	**4**	**646,270**	**2,315,278**
2017				
Sovereign	1,065,257	–	232	1,065,489
Bank	893,557	16,866	479,612	1,390,035
Corporate	110	2,362	27,875	30,348
Mortgage	30	1,105	154,147	155,283
HPE	–	–	–	–
QRRE	–	–	–	–
Other Retail	26	80	–	106
Other Exposures	349	–	309,493	309,842
Total Gross Credit Exposure	1,959,329	20,414	971,359	2,951,102

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING

i) **Past Due But Not Impaired**

A loan/financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the borrower/customer can lead to a financial asset being past due but not impaired. Therefore, loans/financing and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest/profit or both, overdue.

The following tables provide an analysis of the outstanding balances as at 31 December 2018 and 31 December 2017 which were past due but not impaired by sector and geographical respectively:

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector

	CIMBBG	
(RM'000)	**2018**	**2017**
Primary Agriculture	**99,945**	25,453
Mining and Quarrying	**16,630**	6,271
Manufacturing	**98,898**	66,017
Electricity, Gas and Water Supply	**172**	4,303
Construction	**99,975**	94,237
Wholesale and Retail Trade, and Restaurants and Hotels	**282,886**	233,919
Transport, Storage and Communication	**34,583**	41,258
Finance, Insurance/Takaful, Real Estate and Business Activities	**279,798**	281,420
Education, Health and Others	**114,452**	102,139
Household	**13,258,009**	12,865,378
Others*	**8,496**	10,205
Total	**14,293,844**	13,730,600

* *Others are exposures which are not elsewhere classified.*

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

i) **Past Due But Not Impaired (continued)**

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector (continued)

	CIMBISLG	
(RM'000)	2018	2017
Primary Agriculture	**75,395**	6,437
Mining and Quarrying	**3,186**	24
Manufacturing	**10,209**	7,454
Electricity, Gas and Water Supply	**1**	–
Construction	**8,616**	19,925
Wholesale and Retail Trade, and Restaurants and Hotels	**40,179**	47,302
Transport, Storage and Communication	**923**	2,112
Islamic Finance, Takaful, Real Estate and Business Activities	**38,349**	43,771
Education, Health and Others	**8,523**	4,725
Household	**3,574,968**	2,953,212
Others*	**243**	278
Total	**3,760,592**	3,085,240

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

	CIMBIBG	
(RM'000)	2018	2017
Primary Agriculture	**–**	–
Mining and Quarrying	**–**	–
Manufacturing	**–**	–
Electricity, Gas and Water Supply	**–**	–
Construction	**–**	–
Wholesale and Retail Trade, and Restaurants and Hotels	**–**	–
Transport, Storage and Communication	**–**	–
Finance, Insurance, Real Estate and Business Activities	**–**	–
Education, Health and Others	**–**	–
Household	**–**	–
Others*	**–**	–
Total	**–**	–

Note: *All loans have been vested to CIMB Bank Berhad on 2 October 2018.*

* *Others are exposures which are not elsewhere classified.*

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

i) **Past Due But Not Impaired (continued)**

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution

	CIMBBG	
(RM'000)	2018	2017
Malaysia	**12,106,238**	11,923,104
Singapore	**346,491**	189,023
Thailand	**1,702,816**	1,618,367
Other Countries	**138,299**	106
Total	**14,293,844**	13,730,600

	CIMBISLG	
(RM'000)	2018	2017
Malaysia	**3,760,592**	3,085,240
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**3,760,592**	3,085,240

	CIMBIBG	
(RM'000)	2018	2017
Malaysia	**–**	–
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**–**	–

ii) **Credit Impaired/Impaired Loans/Financing**

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

Impairment losses are calculated on individual loans/financing and on loans/financing assessed collectively.

Losses for impaired loans/financing are recognised promptly when there is objective evidence that impairment of a portfolio of loans/financing has occurred. Evidence of impairment may include indications that the borrower/customer or a group of borrowers/customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest/profit or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group assesses individually whether objective evidence of impairment exists for all assets deemed to be individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the individual impairment allowance account and the amount of the loss is recognised in the statements of comprehensive income. Interest/profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/profit income is recorded as part of interest/profit income.

Loans/Financing that have not been individually assessed are grouped together for portfolio impairment assessment. These loans/financing are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) **Credit Impaired/Impaired Loans/Financing (continued)**

The following tables provide an analysis of the outstanding balances as at 31 December 2018 and 31 December 2017 which were credit impaired/impaired by sector and geographical respectively:

Table 7(a): Credit Impaired/Impaired Loans, Advances and Financing by Sector

	CIMBBG	
(RM'000)	2018	2017
Primary Agriculture	**59,599**	44,316
Mining and Quarrying	**1,005,998**	623,363
Manufacturing	**795,068**	1,025,534
Electricity, Gas and Water Supply	**22,895**	552
Construction	**175,409**	130,837
Wholesale and Retail Trade, and Restaurants and Hotels	**615,999**	745,550
Transport, Storage and Communication	**1,117,145**	1,261,983
Finance, Insurance/Takaful, Real Estate and Business Activities	**481,067**	434,932
Education, Health and Others	**174,597**	176,651
Household	**1,861,832**	1,737,340
Others*	**7,543**	7,041
Total	**6,317,152**	6,188,099

* *Others are exposures which are not elsewhere classified.*

	CIMBISLG	
(RM'000)	2018	2017
Primary Agriculture	**6,658**	2,589
Mining and Quarrying	**2,779**	2,528
Manufacturing	**28,146**	21,636
Electricity, Gas and Water Supply	**–**	–
Construction	**25,435**	7,306
Wholesale and Retail Trade, and Restaurants and Hotels	**9,706**	1,672
Transport, Storage and Communication	**56,614**	60,185
Islamic Finance, Takaful, Real Estate and Business Activities	**44,369**	23,886
Education, Health and Others	**10,613**	11,967
Household	**253,390**	248,060
Others*	**2**	2,041
Total	**437,712**	381,870

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

	CIMBIBG	
(RM'000)	2018	2017
Primary Agriculture	**–**	–
Mining and Quarrying	**–**	–
Manufacturing	**–**	–
Electricity, Gas and Water Supply	**–**	–
Construction	**–**	–
Wholesale and Retail Trade, and Restaurants and Hotels	**–**	–
Transport, Storage and Communication	**–**	–
Finance, Insurance, Real Estate and Business Activities	**–**	–
Education, Health and Others	**–**	–
Household	**–**	1,905
Others*	**–**	–
Total	**–**	1,905

* *Others are exposures which are not elsewhere classified.*

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Credit Impaired/Impaired Loans/Financing (continued)

Table 7(b): Credit Impaired/Impaired Loans, Advances and Financing by Geographic Distribution

	CIMBBG	
(RM'000)	2018	2017
Malaysia	**3,533,099**	3,499,350
Singapore	**676,323**	810,822
Thailand	**1,669,515**	1,871,723
Other Countries	**438,215**	6,204
Total	**6,317,152**	6,188,099

	CIMBISLG	
(RM'000)	2018	2017
Malaysia	**437,712**	381,870
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**437,712**	381,870

	CIMBIBG	
(RM'000)	2018	2017
Malaysia	**–**	1,905
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**–**	1,905

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) **Credit Impaired/Impaired Loans/Financing (continued)**

Table 8(a): Expected Credit Losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector

	CIMBBG				
(RM'000) 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
Primary Agriculture	34,946	26,377	33,653	–	94,976
Mining and Quarrying	9,941	12,521	201,596	–	224,058
Manufacturing	58,221	70,411	521,296	–	649,928
Electricity, Gas and Water Supply	7,902	4,385	8,080	–	20,367
Construction	34,496	23,039	93,272	–	150,807
Wholesale and Retail Trade, and Restaurants and Hotels	100,566	60,653	254,612	–	415,831
Transport, Storage and Communications	23,573	16,261	1,086,967	–	1,126,801
Finance, Insurance/Takaful, Real Estate and Business Activities	126,617	50,860	212,473	–	389,950
Education, Health and Others	18,978	20,724	26,435	–	66,137
Household	790,515	346,497	740,493	2,552	1,880,057
Others*	10,338	28,052	5,103	–	43,493
Total	**1,216,093**	**659,780**	**3,183,980**	**2,552**	**5,062,405**

* *Others are exposures which are not elsewhere classified.*

Table 8(a): Individual Impairment and Portfolio Impairment Allowances by Sector

	CIMBBG	
(RM'000) 2017	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	27,352	19,112
Mining and Quarrying	77,449	14,015
Manufacturing	668,301	75,728
Electricity, Gas and Water Supply	–	15,378
Construction	36,435	40,798
Wholesale and Retail Trade, and Restaurants and Hotels	212,933	110,282
Transport, Storage and Communications	1,135,960	17,123
Finance, Insurance/Takaful, Real Estate and Business Activities	182,235	96,758
Education, Health and Others	23,494	19,617
Household	93,192	1,358,717
Others*	7,532	5,983
Total	2,464,883	1,773,511

* *Others are exposures which are not elsewhere classified.*

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) **Credit Impaired/Impaired Loans/Financing (continued)**

Table 8(b): Expected Credit Losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector

	CIMBISLG				
(RM'000) 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
Primary Agriculture	3,623	1,764	1,965	–	7,352
Mining and Quarrying	1,397	6,623	306	–	8,326
Manufacturing	9,133	1,302	10,881	–	21,316
Electricity, Gas and Water Supply	251	–	–	–	251
Construction	5,363	2,298	18,740	–	26,401
Wholesale and Retail Trade, and Restaurants and Hotels	12,783	4,315	4,851	–	21,949
Transport, Storage and Communications	2,536	242	56,255	–	59,033
Islamic Finance, Insurance/Takaful, Real Estate and Business Activities	16,498	2,736	4,313	–	23,547
Education, Health and Others	2,818	326	2,210	–	5,354
Household	117,083	55,079	99,525	–	271,687
Others*	611	357	2	–	970
Total	**172,096**	**75,042**	**199,048**	**–**	**446,186**

* *Others are exposures which are not elsewhere classified.*

Table 8(b): Individual Impairment and Portfolio Impairment Allowances by Sector

	CIMBISLG	
(RM'000) 2017	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	–	5,646
Mining and Quarrying	52	548
Manufacturing	1,377	3,847
Electricity, Gas and Water Supply	–	166
Construction	450	4,183
Wholesale and Retail Trade, and Restaurants and Hotels	–	7,479
Transport, Storage and Communications	41,342	2,308
Islamic Finance, Insurance/Takaful, Real Estate and Business Activities	4,395	16,634
Education, Health and Others	1,736	4,785
Household	–	198,408
Others*	–	669
Total	49,352	244,673

* *Others are exposures which are not elsewhere classified.*

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) **Credit Impaired/Impaired Loans/Financing (continued)**

Table 8(c): Expected Credit Losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector

	CIMBIBG				
(RM'000) 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
Primary Agriculture	–	–	–	–	–
Mining and Quarrying	–	–	–	–	–
Manufacturing	–	–	–	–	–
Electricity, Gas and Water Supply	–	–	–	–	–
Construction	–	–	–	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	–	–	–	–	–
Transport, Storage and Communications	–	–	–	–	–
Finance, Insurance, Real Estate and Business Activities	–	–	–	–	–
Education, Health and Others	–	–	–	–	–
Household	–	–	–	–	–
Others*	–	–	–	–	–
Total	–	–	–	–	–

* *Others are exposures which are not elsewhere classified.*

Table 8(c): Individual Impairment and Portfolio Impairment Allowances by Sector

	CIMBIBG	
(RM'000) 2017	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	–	–
Mining and Quarrying	–	–
Manufacturing	–	–
Electricity, Gas and Water Supply	–	–
Construction	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	–	–
Transport, Storage and Communications	–	–
Finance, Insurance, Real Estate and Business Activities	–	–
Education, Health and Others	–	–
Household	1,905	85
Others*	–	–
Total	1,905	85

* *Others are exposures which are not elsewhere classified.*

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Credit Impaired/Impaired Loans/Financing (continued)

Table 9(a): Expected Credit Losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution for CIMBBG

	CIMBBG				
(RM'000) 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
Malaysia	737,217	481,377	1,936,484	–	3,155,078
Singapore	149,604	70,471	262,303	–	482,378
Thailand	279,520	103,960	779,448	2,552	1,165,480
Other Countries	49,752	3,972	205,745	–	259,469
Total	1,216,093	659,780	3,183,980	2,552	5,062,405

Table 9(a): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBBG

	CIMBBG	
(RM'000) 2017	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,501,574	1,177,398
Singapore	190,454	37,723
Thailand	769,532	536,881
Other Countries	3,323	21,509
Total	2,464,883	1,773,511

Table 9(b): Expected Credit Losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution for CIMBISLG

	CIMBISLG				
(RM'000) 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
Malaysia	172,096	75,042	199,048	–	446,186
Singapore	–	–	–	–	–
Thailand	–	–	–	–	–
Other Countries	–	–	–	–	–
Total	172,096	75,042	199,048	–	446,186

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Credit Impaired/Impaired Loans/Financing (continued)

Table 9(b): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBISLG

	CIMBISLG	
(RM'000) 2017	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	49,352	244,673
Singapore	–	–
Thailand	–	–
Other Countries	–	–
Total	49,352	244,673

Table 9(c): Expected Credit Losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution for CIMBIBG

	CIMBIBG				
(RM'000) 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
Malaysia	–	–	–	–	–
Singapore	–	–	–	–	–
Thailand	–	–	–	–	–
Other Countries	–	–	–	–	–
Total	–	–	–	–	–

Table 9(c): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution for CIMBIBG

	CIMBIBG	
(RM'000) 2017	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,905	85
Singapore	–	–
Thailand	–	–
Other Countries	–	–
Total	1,905	85

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Credit Impaired/Impaired Loans/Financing (continued)

Table 10(a): Expected Credit Losses Charges/(Write back) and Write-off for Stage 3 and Purchased Credit Impaired for CIMBBG

	CIMBBG			
	Charges/(write back)		Write-off	
(RM'000) 2018	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired
Primary Agriculture	3,414	–	3,343	–
Mining and Quarrying	58,809	–	2,947	–
Manufacturing	87,093	–	56,921	–
Electricity, Gas and Water Supply	7,470	–	22	–
Construction	35,177	–	7,314	–
Wholesale and Retail Trade, and Restaurants and Hotels	15,261	–	35,598	–
Transport, Storage and Communications	22,733	–	2,798	–
Finance, Insurance/Takaful, Real Estate and Business Activities	2,920	–	5,969	–
Education, Health and Others	412	–	2,272	–
Household	931,707	(3,121)	887,588	2,011
Others*	21,923	–	842	–
Total	**1,186,919**	**(3,121)**	**1,005,614**	**2,011**

* *Others are exposures which are not elsewhere classified.*

Table 10(a): Charges for Individual Impairment Provision and Write Offs for CIMBBG

	CIMBBG	
(RM'000) 2017	Charges/ (write back)	Write-off
Primary Agriculture	(10,966)	–
Mining and Quarrying	46,193	40
Manufacturing	359,116	80,293
Electricity, Gas and Water Supply	–	1,134
Construction	7,025	12,740
Wholesale and Retail Trade, and Restaurants and Hotels	143,053	47,805
Transport, Storage and Communications	73,012	7,461
Finance, Insurance/Takaful, Real Estate and Business Activities	23,153	6,799
Education, Health and Others	503	1,820
Household	72,002	71,056
Others*	(4)	–
Total	713,087	229,148

* *Others are exposures which are not elsewhere classified.*

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Credit Impaired/Impaired Loans/Financing (continued)

Table 10(b): Expected Credit Losses Charges/(Write back) and Write-off for Stage 3 and Purchased Credit Impaired for CIMBISLG

	CIMBISLG			
	Charges/(write back)		Write-off	
(RM'000) 2018	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired
Primary Agriculture	954	–	–	–
Mining and Quarrying	254	–	–	–
Manufacturing	4,803	–	8	–
Electricity, Gas and Water Supply	–	–	–	–
Construction	16,926	–	429	–
Wholesale and Retail Trade, and Restaurants and Hotels	3,909	–	457	–
Transport, Storage and Communications	14,921	–	90	–
Finance, Insurance/Takaful, Real Estate and Business Activities	(5,930)	–	4	–
Education, Health and Others	(916)	–	73	–
Household	141,557	–	117,673	–
Others*	6,839	–	–	–
Total	183,317	–	118,734	–

Note: *All sectors above are Shariah compliant*

* *Others are exposures which are not elsewhere classified.*

Table 10(b): Charges for Individual Impairment Provision and Write Offs for CIMBISLG

	CIMBISLG	
(RM'000) 2017	Charges/ (write back)	Write-off
Primary Agriculture	(7,681)	–
Mining and Quarrying	(291)	–
Manufacturing	54	–
Electricity, Gas and Water Supply	–	–
Construction	(709)	4,827
Wholesale and Retail Trade, and Restaurants and Hotels	(3,847)	1,900
Transport, Storage and Communications	22,033	–
Islamic Finance, Insurance/Takaful, Real Estate and Business Activities	(180)	–
Education, Health and Others	383	1,745
Household	–	–
Others*	–	–
Total	9,762	8,472

Note: *All sectors above are Shariah compliant.*

* *Others are exposures which are not elsewhere classified.*

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Credit Impaired/Impaired Loans/Financing (continued)

Table 10(c): Expected Credit Losses Charges/(Write back) and Write-off for Stage 3 and Purchased Credit Impaired for CIMBIBG

	CIMBIBG			
	Charges/(write back)		Write-off	
(RM'000) 2018	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired
Primary Agriculture	–	–	–	–
Mining and Quarrying	–	–	–	–
Manufacturing	–	–	–	–
Electricity, Gas and Water Supply	–	–	–	–
Construction	–	–	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	–	–	–	–
Transport, Storage and Communications	–	–	–	–
Finance, Insurance/Takaful, Real Estate and Business Activities	–	–	–	–
Education, Health and Others	–	–	–	–
Household	113	–	–	–
Others*	–	–	–	–
Total	113	–	–	–

* *Others are exposures which are not elsewhere classified.*

Table 10(c): Charges for Individual Impairment Provision and Write Offs for CIMBIBG

	CIMBIBG	
(RM'000) 2017	Charges/ (write back)	Write-off
Primary Agriculture	–	–
Mining and Quarrying	–	–
Manufacturing	–	–
Electricity, Gas and Water Supply	–	–
Construction	–	–
Wholesale and Retail Trade, and Restaurants and Hotels	–	–
Transport, Storage and Communications	–	–
Finance, Insurance/ Takaful, Real Estate and Business Activities	–	–
Education, Health and Others	–	–
Household	(170)	–
Others*	–	–
Total	(170)	–

* *Others are exposures which are not elsewhere classified.*

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) **Credit Impaired/Impaired Loans/Financing (continued)**

Table 11(a): Analysis of Movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBBG

(RM'000) 2018	CIMBBG 12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
At 1 January 2018	–	–	–	–	–
Effect of adopting MFRS 9	1,025,503	763,907	3,355,289	7,561	5,152,260
Adjusted 1 January 2018	1,025,503	763,907	3,355,289	7,561	5,152,260
Changes in expected credit losses due to transferred within stages	946,410	(800,647)	(145,763)	–	–
Transferred to Stage 1	1,370,646	(1,062,010)	(308,636)	–	–
Transferred to Stage 2	(370,278)	713,725	(343,447)	–	–
Transferred to Stage 3	(53,958)	(452,362)	506,320	–	–
Total charge to Income Statement	(759,279)	679,858	1,186,919	(3,121)	1,104,377
New financial assets originated	619,018	12,505	79,382	–	710,905
Financial assets that have been derecognised	(397,046)	(101,080)	–	–	(498,126)
Write back in respect of full recoveries	–	–	(144,189)	–	(144,189)
Change in credit risk	(981,251)	768,433	1,251,726	(3,121)	1,035,787
Write-offs	(1,931)	(225)	(1,005,614)	(2,011)	(1,009,781)
Exchange fluctuation	5,628	5,427	33,463	123	44,641
Transfer from related companies	49	51	792	–	892
Other movements	(287)	11,409	(241,106)	–	(229,984)
Total	1,216,093	659,780	3,183,980	2,552	5,062,405

Table 11(a): Analysis of Movement for Loan/Financing Impairment Allowances for CIMBBG

(RM'000) 2017	CIMBBG Individual Impairment Allowance	Portfolio Impairment Allowance
At 1 January 2017	2,350,633	1,977,802
Allowance made during the financial year	713,087	778,441
Amount transferred to portfolio impairment allowance	–	–
Allowance made and charged to deferred assets	–	–
Allowance made in relation to jointly controlled entity	–	–
Amount written off	(229,148)	(869,500)
Transfer (to)/from intercompany	–	–
Sale of impaired loan	(323,132)	(96,292)
Disposal of subsidiary	–	–
Allowance for impaired loan disposed to third party	–	–
Exchange fluctuation	(46,557)	(16,940)
Total	2,464,883	1,773,511

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) Credit Impaired/Impaired Loans/Financing (continued)

Table 11(b): Analysis of Movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBISLG

(RM'000) 2018	CIMBISLG 12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
At 1 January 2018	–	–	–	–	–
Effect of adopting MFRS 9	114,725	116,363	161,712	–	392,800
Adjusted 1 January 2018	114,725	116,363	161,712	–	392,800
Changes in expected credit losses due to transferred within stages	219,579	(185,163)	(34,416)	–	–
Transferred to Stage 1	273,384	(230,727)	(42,657)	–	–
Transferred to Stage 2	(53,576)	110,989	(57,413)	–	–
Transferred to Stage 3	(229)	(65,425)	65,654	–	–
Total charge to Income Statement	(163,062)	137,309	183,317	–	157,564
New financial assets originated	161,688	56	462	–	162,206
Financial assets that have been derecognised	(107,361)	(1,295)	–	–	(108,656)
Write back in respect of full recoveries	–	–	(3,911)	–	(3,911)
Change in credit risk	(217,389)	138,548	186,766	–	107,925
Write-offs	–	–	(118,734)	–	(118,734)
Exchange fluctuation	–	–	–	–	–
Other movements	854	6,533	7,169	–	14,556
Total	172,096	75,042	199,048	–	446,186

Table 11(b): Analysis of Movement for Loan/Financing Impairment Allowances for CIMBISLG

(RM'000) 2017	CIMBISLG Individual Impairment Allowance	Portfolio Impairment Allowance
At 1 January 2017	48,062	242,863
Allowance made during the financial year	9,762	124,660
Amount transferred to portfolio impairment allowance	–	–
Allowance made and charged to deferred assets	–	–
Allowance made in relation to jointly controlled entity	–	–
Amount written off	(8,472)	(122,680)
Transfer (to)/from intercompany	–	(73)
Disposal of subsidiary	–	–
Unwinding income	–	–
Exchange fluctuation	–	(96)
Total	49,352	244,673

Credit Risk

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

ii) **Credit Impaired/Impaired Loans/Financing (continued)**

Table 11(c): Analysis of Movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBIBG

	CIMBIBG				
(RM'000) 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
At 1 January 2018	–	–	–	–	–
Effect of adopting MFRS 9	132	18	621	–	771
Adjusted 1 January 2018	132	18	621	–	771
Changes in expected credit losses due to transferred within stages	34	(92)	58	–	–
Transferred to Stage 1	44	(36)	(8)	–	–
Transferred to Stage 2	(10)	43	(33)	–	–
Transferred to Stage 3	–	(99)	99	–	–
Total charge to Income Statement	(118)	125	113	–	120
New financial assets originated	–	–	–	–	–
Financial assets that have been derecognised	–	–	–	–	–
Write back in respect of full recoveries	–	–	–	–	–
Change in credit risk	(118)	125	113	–	120
Write-offs	–	–	–	–	–
Exchange fluctuation	–	–	–	–	–
Transfer to related companies	(48)	(51)	(792)	–	(891)
Total	–	–	–	–	–

Table 11(c): Analysis of Movement for Loan/Financing Impairment Allowances for CIMBIBG

	CIMBIBG	
(RM'000) 2017	Individual Impairment Allowance	Portfolio Impairment Allowance
At 1 January 2017	2,075	99
Allowance made/(write back) during the financial year	2,034	(14)
Amount transferred to portfolio impairment allowance	–	–
Allowance made and charged to deferred assets	–	–
Allowance made in relation to jointly controlled entity	–	–
Allowance written back in respect of recoveries	(2,204)	–
Amount written off	–	–
Transfer (to)/from intercompany	–	–
Disposal of subsidiary	–	–
Unwinding income	–	–
Exchange fluctuation	–	–
Total	1,905	85

CAPITAL TREATMENT FOR CREDIT RISK

Details on RWA and capital requirements related to Credit Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c). Details on the disclosure for portfolios under the SA and the IRB Approach are in the sections that followed.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) to map the ratings to the relevant risk weights for computation of regulatory capital.

The following tables present the credit exposures by risk weights and after credit risk mitigation:

Table 12(a): Disclosure by Risk Weight under SA for CIMBBG

	CIMBBG												
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Equity	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
2018													
0%	60,681,883	5,000,000	3,056,213	–	617,823	2,420	–	–	7,902,731	–	–	77,261,070	–
6%	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	–	353,236	221,517	506,813	85,001	483,812	–	–	1,916	268,519	–	1,920,814	384,163
35%	–	–	–	–	–	–	4,442,885	–	–	–	–	4,442,885	1,555,010
50%	268,905	–	6,627,426	1,065,492	392,366	588,934	2,345,705	–	–	–	–	11,288,829	5,644,414
75%	–	–	–	–	–	13,599,647	5,316	–	–	–	–	13,604,963	10,203,722
100%	476,715	–	–	1,501,804	21,901,069	2,151,180	3,501,445	–	3,251,117	–	2,290	32,785,622	32,785,622
107%	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	316,816	21,907	–	1,118,173	–	–	–	1,456,896	2,185,344
150%< RW < 1250%	–	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	61,427,503	5,353,236	9,905,156	3,074,109	23,313,075	16,847,901	10,295,352	1,118,173	11,155,765	268,519	2,290	142,761,080	52,758,276
Average Risk Weight	1%	1%	34%	69%	97%	76%	61%	150%	29%	20%	100%	37%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 12(a): Disclosure by Risk Weight under SA for CIMBBG (continued)

	CIMBBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
2017												
0%	57,078,492	668,982	340,330	–	2,108	12,253	–	–	6,675,395	–	64,777,560	–
6%	–	–	–	–	–	–	–	–	–	–	–	–
20%	1,502,455	717	162,757	308,936	6,591	447,045	–	–	6,323	251,895	2,686,719	537,344
35%	–	–	5,936,094	–	–	–	7,613,939	–	–	–	13,550,033	3,994,861
50%	395,088	–	1,866,270	1,312,264	118,077	627,858	153,980	–	–	–	4,473,536	2,236,768
75%	–	–	–	–	–	17,492,295	216,848	–	–	–	17,709,143	13,281,857
100%	0	10,931		290,890	11,525,356	2,265,297	46,332	–	3,301,828	–	17,440,634	17,440,634
107%	–	–	–	–	12,496,211	–	–	–	–	–	12,496,211	13,310,705
150%	915		(0)	–	218,912	60,936	–	1,111,101	4,437	–	1,396,301	2,094,452
150%< RW < 1250%	–	–	–	–	–	1,936,252	–	–	–	–	1,936,252	2,993,337
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	58,976,950	680,630	8,305,450	1,912,089	24,367,256	22,841,936	8,031,099	1,111,101	9,987,982	251,895	136,466,389	55,889,958
Average Risk Weight	1%	2%	37%	53%	104%	70%	37%	150%	33%	20%	39%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

Table 12(b): Disclosure by Risk Weight under SA for CIMBISLG

	CIMBISLG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
2018												
0%	**19,140,796**	**5,000,000**	**157,387**	**–**	**–**	**–**	**–**	**–**	**27,738**	**–**	**24,325,921**	**–**
20%	**–**	**315,313**	**14,001**	**15,248**	**81,421**	**232**	**–**	**–**	**–**	**21,006**	**447,222**	**89,444**
35%	**–**	**–**	**–**	**–**	**–**	**–**	**877**	**–**	**–**	**–**	**877**	**307**
50%	**–**	**–**	**4,675**	**–**	**139,714**	**563,246**	**26,936**	**–**	**–**	**–**	**734,571**	**367,286**
75%	**–**	**–**	**–**	**–**	**–**	**323,028**	**–**	**–**	**–**	**–**	**323,028**	**242,271**
100%	**–**	**–**	**–**	**–**	**2,535,362**	**1,705,850**	**–**	**–**	**43,547**	**–**	**4,284,759**	**4,284,759**
100%< RW < 1250%	**–**	**–**	**–**	**–**	**23**	**1,184**	**–**	**575**	**–**	**–**	**1,782**	**2,673**
1250%	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**19,140,796**	**5,315,313**	**176,064**	**15,248**	**2,756,519**	**2,593,541**	**27,813**	**575**	**71,285**	**21,006**	**30,118,160**	**4,986,740**
Average Risk Weight	**0%**	**1%**	**3%**	**20%**	**95%**	**86%**	**50%**	**150%**	**61%**	**20%**	**17%**	
Deduction from Capital Base	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	

* *The total includes the portion which is deducted from Capital Base, if any.*

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 12(b): Disclosure by Risk Weight under SA for CIMBISLG (continued)

	CIMBISLG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
2017												
0%	18,343,683	–	169,214	–	–	–	–	–	15,195	–	18,528,093	–
20%	22,107	–	2	–	2,630	370	–	–	–	502	25,611	5,122
35%	–	–	–	–	–	–	–	–	–	–	–	–
50%	–	–	916,681	3,389	91,612	596,192	4,052	–	–	–	1,611,926	805,963
75%	–	–	–	–	–	298,367	–	–	–	–	298,367	223,775
100%	–	–	–	–	3,396,555	1,865,721	–	–	152,416	–	5,414,692	5,414,692
100% < RW < 1250%	–	–	–	–	4,797	1,756	–	575	–	–	7,128	10,693
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	18,365,790	–	1,085,897	3,389	3,495,594	2,762,406	4,052	575	167,611	502	25,885,816	6,460,244
Average Risk Weight	0%	–	42%	50%	99%	87%	50%	150%	91%	20%	25%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

Table 12(c): Disclosure by Risk Weight under SA for CIMBIBG

	CIMBIBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
2018												
0%	**747,418**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20**	**–**	**747,438**	**–**
20%	**–**	**–**	**67,623**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**67,623**	**13,525**
35%	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
50%	**–**	**–**	**1,231,400**	**–**	**–**	**–**	**2**	**–**	**–**	**–**	**1,231,401**	**615,701**
75%	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
100%	**–**	**–**	**–**	**9,814**	**1,366**	**–**	**0**	**–**	**257,559**	**–**	**268,738**	**268,738**
100%<RW < 1250%	**–**	**–**	**–**	**–**	**78**	**–**	**–**	**–**	**–**	**–**	**78**	**117**
1250%	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**747,418**	**–**	**1,299,023**	**9,814**	**1,444**	**–**	**2**	**–**	**257,578**	**–**	**2,315,278**	**898,080**
Average Risk Weight	**0%**	**–**	**48%**	**100%**	**103%**	**–**	**50%**	**–**	**100%**	**–**	**39%**	
Deduction from Capital Base	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	

* *The total includes the portion which is deducted from Capital Base, if any.*

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 12(c): Disclosure by Risk Weight under SA for CIMBIBG (continued)

	CIMBIBG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
2017												
0%	1,065,489	–	–	–	–	–	–	–	20	–	1,065,509	–
20%	–	–	24,131	–	–	–	–	–	–	–	24,131	4,826
35%	–	–	–	–	–	–	61,960	–	–	–	61,960	21,686
50%	–	–	1,365,904	–	–	–	65,677	–	–	–	1,431,581	715,790
75%	–	–	–	–	–	106	193	–	–	–	298	224
100%	–	–	–	12,097	18,137	–	27,453	–	309,822	–	367,508	367,508
100%< RW < 1250%	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,065,489	–	1,390,035	12,097	18,137	106	155,283	–	309,842	–	2,950,988	1,110,035
Average Risk Weight	0%	–	49%	100%	100%	75%	53%	–	100%	–	38%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* *The total includes the portion which is deducted from Capital Base, if any.*

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs:

Table 13(a): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBBG

	CIMBBG			
(RM'000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
2018				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**9,655,818**	**9,655,818**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**1,847,266**	**–**	**1,231,303**	**3,078,569**
Corporate	**390,839**	**254,851**	**27,263,684**	**27,909,373**
Sovereign/Central Banks	**29,352,635**	**–**	**32,074,868**	**61,427,503**
Banks, MDBs and DFIs	**693,704**	**–**	**9,220,224**	**9,913,929**
Total	**32,284,445**	**254,851**	**79,445,898**	**111,985,193**
2017				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	4,077,954	–	212,033	4,289,987
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,112,778	77,010	201,577	2,391,365
Corporate	136,653	248,675	32,547,463	32,932,790
Sovereign/Central Banks	28,755,230	–	30,405,431	59,160,661
Banks, MDBs and DFIs	4,189,236	3,789	728,179	4,921,204
Total	39,271,850	329,474	64,094,684	103,696,007

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 13(b): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBISLG

	CIMBISLG			
(RM'000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
2018				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**5,315,313**	**5,315,313**
Takaful Operators, Securities Firms & Fund Managers	**15,248**	**–**	**510**	**15,758**
Corporate	**–**	**–**	**2,781,972**	**2,781,972**
Sovereign/Central Banks	**7,165,418**	**–**	**11,975,378**	**19,140,796**
Banks, MDBs and DFIs	**18,676**	**–**	**157,387**	**176,064**
Total	**7,199,342**	**–**	**20,230,560**	**27,429,902**
2017				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	–	–
Takaful Operators, Securities Firms & Fund Managers	–	–	3,899	3,899
Corporate	–	–	10,214,802	10,214,802
Sovereign/Central Banks	4,617,854	–	13,747,936	18,365,790
Banks, MDBs and DFIs	916,683	–	169,214	1,085,897
Total	5,534,537	–	24,135,851	29,670,389

Table 13(c): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBIBG

	CIMBIBG			
(RM'000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
2018				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**–**	**–**
Insurance Cos, Securities Firms & Fund Managers	**–**	**–**	**9,814**	**9,814**
Corporate	**0**	**–**	**1,444**	**1,444**
Sovereign/Central Banks	**–**	**–**	**747,418**	**747,418**
Banks, MDBs and DFIs	**1,245,188**	**–**	**53,835**	**1,299,023**
Total	**1,245,188**	**–**	**812,510**	**2,057,698**
2017				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	12,097	12,097
Corporate	–	–	18,251	18,251
Sovereign/Central Banks	–	–	1,065,489	1,065,489
Banks, MDBs and DFIs	1,379,233	–	10,803	1,390,035
Total	1,379,233	–	1,106,639	2,485,872

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 14(a): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBBG

	CIMBBG			
(RM'000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
2018				
On and Off-Balance-Sheet Exposures				
Securitisation	**268,519**	**–**	**–**	**268,519**
2017				
On and Off-Balance-Sheet Exposures				
Securitisation	251,895	–	–	251,895

Table 14(b): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBISLG

	CIMBISLG			
(RM'000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
2018				
On and Off-Balance-Sheet Exposures				
Securitisation	**21,006**	**–**	**–**	**21,006**
2017				
On and Off-Balance-Sheet Exposures				
Securitisation	502	–	–	502

As at 31 December 2018 and 31 December 2017, there is no Securitisation under SA according to Ratings by ECAIs for CIMBIBG.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH

CIMBBG and CIMBISLG adopt the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows CIMBBG and CIMBISLG to adopt various rating systems to measure its credit risk to both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account for collection and limit management purposes.

For non-retail exposures, internal ratings are one of the tools used to assist the approving committees in making informed decisions of the credit application.

The models used in the internal rating systems are subject to strict governance and controls. The models are developed and maintained by Group Risk with input from business units to ensure that material risks are captured. Before the models are implemented, they are subject to approval by GRCC and subsequently BRCC. After implementation, the models are subject to regular performance monitoring to ensure that they continue to perform as expected and the risk parameters remain appropriate.

New models are assessed by a validation team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures

Retail exposures are portfolio in large numbers of similarly managed exposures due to homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred to as program lending/financing.

Retail exposures covered under the A-IRB Approach include credit cards, auto loans/financing, Xpress Cash, residential mortgages and business premises loans/financing. The PDs of these exposures are typically estimated from the outputs of application scorecards for newer customers and behavioural scorecards for older customers. The models deployed for retail portfolio include application and behavioural scorecards or application and behavioural models, PD, LGD and EAD segmentation.

a) PD, LGD and EAD Segmentation Models for Retail Exposures

The risk estimates are generally developed based on internal historical data and complies with BNM guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets). However, in instances of insufficient historical data, the respective models risk estimate is developed based on expert judgment or aligned to available industry data with margins of conservatism applied.

PD Calibration

- PD is defined as the probability of a borrower/customer defaulting within a one year time horizon.
- PD estimated for each pool must be representative of the long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) will be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which is normally referred to as "Central Tendency".

EAD Estimation

- EAD represents the expected level of usage of the facility when default occurs.
- The EAD for retail exposures is generally based on the respective portfolio's summed outstanding exposure including any undrawn balances, and for revolving exposures such as credit card receivables, each loan's/financing's EAD estimation includes the estimated net additional drawings for loans/financing defaulting over the next 12 months.

LGD Estimation

- LGD is the estimated amount of loss expected if a loan/financing defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors (internal, external, direct and indirect costs associated with recoveries).
- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
  - (i) Regularisation of defaulted accounts.
  - (ii) Sale proceeds from collaterals.
  - (iii) Cash receipts from borrowers/customers.

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2018 and 31 December 2017:

Table 15(a): Retail Credit Exposures by PD Band for CIMBBG

	CIMBBG			
(RM'000) PD Range of Retail Exposures	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% Or Default**	**Total**
2018				
Total Retail Exposure	**120,758,891**	**41,895,294**	**2,263,852**	**164,918,037**
Residential Mortgage/RRE Financing	**66,959,102**	**7,998,704**	**1,449,203**	**76,407,008**
QRRE	**9,506,420**	**3,576,067**	**113,479**	**13,195,966**
Hire Purchase	**13,719,738**	**2,055,064**	**175,175**	**15,949,976**
Other Retail	**30,573,631**	**28,265,460**	**525,995**	**59,365,086**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**19%**	**21%**	**27%**	
QRRE	**89%**	**89%**	**89%**	
Hire Purchase	**51%**	**52%**	**55%**	
Other Retail	**26%**	**18%**	**54%**	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	**11%**	**71%**	**196%**	
QRRE	**29%**	**137%**	**224%**	
Hire Purchase	**51%**	**84%**	**193%**	
Other Retail	**19%**	**29%**	**155%**	
2017				
Total Retail Exposure	112,485,640	20,054,215	2,098,613	134,638,468
Residential Mortgage/RRE Financing	59,860,988	9,037,408	1,227,889	70,126,286
QRRE	10,755,936	3,930,997	118,979	14,805,912
Hire Purchase	12,896,556	2,027,804	245,075	15,169,435
Other Retail	28,972,160	5,058,006	506,669	34,536,836
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	23%	26%	
QRRE	89%	89%	89%	
Hire Purchase	50%	54%	56%	
Other Retail	28%	31%	59%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	14%	78%	177%	
QRRE	28%	129%	306%	
Hire Purchase	50%	86%	172%	
Other Retail	18%	51%	227%	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

Table 15(b): Retail Credit Exposures by PD Band for CIMBISLG

	CIMBISLG			
(RM'000) PD Range of Retail Exposures	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% Or Default**	**Total**
2018				
Total Retail Exposure	**27,324,707**	**17,808,273**	**443,604**	**45,576,584**
RRE Financing	**14,229,041**	**2,314,089**	**317,103**	**16,860,233**
QRRE	**160,465**	**109,956**	**1,958**	**272,379**
Hire Purchase	**6,377,944**	**948,254**	**62,524**	**7,388,722**
Other Retail	**6,557,257**	**14,435,974**	**62,018**	**21,055,250**
Exposure Weighted Average LGD				
RRE Financing	**21%**	**22%**	**26%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**52%**	**53%**	**56%**	
Other Retail	**25%**	**10%**	**45%**	
Exposure Weighted Average Risk Weight				
RRE Financing	**13%**	**78%**	**207%**	
QRRE	**32%**	**135%**	**365%**	
Hire Purchase	**52%**	**83%**	**206%**	
Other Retail	**23%**	**16%**	**160%**	
2017				
Total Retail Exposure	20,296,666	5,271,543	356,882	25,925,091
RRE Financing	10,867,861	2,390,986	218,433	13,477,280
QRRE	154,277	96,321	2,115	252,713
Hire Purchase	4,510,204	1,083,293	86,127	5,679,624
Other Retail	4,764,324	1,700,944	50,207	6,515,474
Exposure Weighted Average LGD				
RRE Financing	23%	24%	26%	
QRRE	90%	90%	90%	
Hire Purchase	51%	55%	57%	
Other Retail	27%	32%	42%	
Exposure Weighted Average Risk Weight				
RRE Financing	16%	82%	191%	
QRRE	32%	124%	267%	
Hire Purchase	50%	84%	180%	
Other Retail	23%	51%	169%	

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

Table 16(a): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBBG

	CIMBBG			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
2018				
Total Retail Exposure	**143,305,402**	**21,366,699**	**245,935**	**164,918,037**
Residential Mortgage/RRE Financing	**72,687,124**	**3,640,537**	**79,347**	**76,407,008**
QRRE	**7,894,598**	**5,299,066**	**2,301**	**13,195,966**
Hire Purchase	**13,735,932**	**2,207,310**	**6,734**	**15,949,976**
Other Retail	**48,987,748**	**10,219,786**	**157,553**	**59,365,086**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**19%**	**25%**	**40%**	
QRRE	**89%**	**89%**	**90%**	
Hire Purchase	**51%**	**53%**	**55%**	
Other Retail	**19%**	**38%**	**85%**	
2017				
Total Retail Exposure	118,176,300	16,389,096	73,073	134,638,468
Residential Mortgage/RRE Financing	65,629,145	4,469,797	27,344	70,126,286
QRRE	9,048,006	5,757,533	374	14,805,912
Hire Purchase	12,908,507	2,258,890	2,037	15,169,435
Other Retail	30,590,641	3,902,877	43,318	34,536,836
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	26%	35%	
QRRE	89%	89%	88%	
Hire Purchase	50%	54%	61%	
Other Retail	28%	38%	75%	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Retail Exposures (continued)

Table 16(b): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBISLG

	CIMBISLG			
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
2018				
Total Retail Exposure	**39,991,283**	**5,552,591**	**32,710**	**45,576,584**
RRE Financing	**15,735,489**	**1,107,027**	**17,716**	**16,860,233**
QRRE	**112,066**	**160,313**	**–**	**272,379**
Hire Purchase	**6,387,235**	**1,000,655**	**832**	**7,388,722**
Other Retail	**17,756,493**	**3,284,595**	**14,162**	**21,055,250**
Exposure Weighted Average LGD				
RRE Financing	**21%**	**25%**	**41%**	
QRRE	**90%**	**90%**	**–**	
Hire Purchase	**52%**	**53%**	**56%**	
Other Retail	**14%**	**21%**	**55%**	
2017				
Total Retail Exposure	22,204,986	3,719,656	449	25,925,091
RRE Financing	12,309,025	1,168,222	33	13,477,280
QRRE	106,642	146,068	2	252,713
Hire Purchase	4,519,257	1,160,216	151	5,679,624
Other Retail	5,270,062	1,245,150	262	6,515,474
Exposure Weighted Average LGD				
RRE Financing	23%	26%	13%	
QRRE	90%	90%	90%	
Hire Purchase	51%	55%	54%	
Other Retail	27%	37%	100%	

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures

Non-retail exposures covered under the F-IRB Approach include foreign sovereigns, corporates (Specialised Lending/Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory loan/financing classification. The LGDs of these exposures are assigned as per the CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets); that is an LGD of 45% for senior exposures and 75% for subordinated exposures, with appropriate adjustments for eligible collateral.

The process by which an internal rating is assigned to an obligor is governed by the Group Credit Risk Rating Methodology . Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by substituting the obligor rating with the corporate guarantor's rating.

The following tables summarise the Group's non-retail credit exposures measured under F-IRB Approach as at 31 December 2018 and 31 December 2017:

Table 17(a): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBBG

	CIMBBG					
(RM'000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
2018						
Project Finance	**1,027,411**	**4,258,789**	**42,529**	**238,888**	**1,686,076**	**7,253,692**
Object Finance	**–**	**–**	**–**	**–**	**–**	**–**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**1,615,730**	**12,031,430**	**736,021**	**317,042**	**195,593**	**14,895,815**
RWA	**1,385,713**	**12,662,871**	**895,332**	**1,389,824**	**–**	**16,333,741**
2017						
Project Finance	1,138,939	1,844,699	36,991	206,698	1,529,512	4,756,839
Object Finance	–	–	–	–	–	–
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	1,950,226	10,659,241	463,205	27,358	54,490	13,154,519
RWA	1,645,997	9,725,688	575,225	585,140	–	12,532,050

Table 17(b): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBISLG

	CIMBISLG					
(RM'000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
2018						
Project Finance	**175,378**	**332,430**	**–**	**13,500**	**–**	**521,308**
Object Finance	**–**	**–**	**–**	**–**	**–**	**–**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**37,415**	**1,529,366**	**143,533**	**27,852**	**1,970**	**1,740,135**
RWA	**106,396**	**1,460,221**	**165,063**	**103,380**	**–**	**1,835,060**
2017						
Project Finance	244,081	300,959	–	13,500	–	558,540
Object Finance	–	–	–	–	–	–
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	44,068	1,294,703	72,960	12,106	12,210	1,436,047
RWA	155,359	1,223,182	83,904	64,015	–	1,526,460

CIMBBG and CIMBISLG have no exposure to High Volatility Commercial Real Estate and Equities under the Supervisory Slotting Criteria.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures (continued)

Table 18(a): Non Retail Exposures under IRB Approach by Risk Grades for CIMBBG

	CIMBBG				
(RM'000) Internal Risk Grading	**1 – 3**	**4 – 9**	**10 – 13**	**Default**	**Total**
2018					
Total Non-Retail Exposure	**35,488,761**	**64,696,526**	**25,952,898**	**2,737,124**	**128,875,310**
Sovereign/Central Banks	**–**	**–**	**–**	**–**	**–**
Bank	**12,072,797**	**6,475,699**	**244,353**	**–**	**18,792,848**
Corporate (excluding Specialised Lending/Financing)	**23,415,964**	**58,220,828**	**25,708,546**	**2,737,124**	**110,082,461**
Exposure Weighted Average LGD					
Sovereign/Central Banks	**–**	**–**	**–**	**–**	
Bank	**44%**	**44%**	**45%**	**–**	
Corporate (excluding Specialised Lending/Financing)	**45%**	**41%**	**36%**	**42%**	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	**–**	**–**	**–**	**–**	
Bank	**21%**	**40%**	**147%**	**–**	
Corporate (excluding Specialised Lending/Financing)	**15%**	**73%**	**106%**	**–**	
2017					
Total Non-Retail Exposure	43,792,672	67,180,589	21,045,383	2,262,535	134,281,178
Sovereign/Central Banks	–	–	–	–	–
Bank	18,926,417	3,439,263	105,465	–	22,471,146
Corporate (excluding Specialised Lending/Financing)	24,866,255	63,741,326	20,939,917	2,262,535	111,810,033
Exposure Weighted Average LGD					
Sovereign/Central Banks	–	–	–	–	
Bank	38%	36%	45%	–	
Corporate (excluding Specialised Lending/Financing)	44%	40%	35%	41%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	–	–	–	–	
Bank	19%	38%	162%	–	
Corporate (excluding Specialised Lending/Financing)	10%	71%	98%	–	

Credit Risk

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Non-retail Exposures (continued)

Table 18(b): Non Retail Exposures under IRB Approach by Risk Grades for CIMBISLG

	CIMBISLG				
(RM'000) Internal Risk Grading	1 – 3	4 – 9	10 – 13	Default	Total
2018					
Total Non-Retail Exposure	**9,732,747**	**10,619,642**	**5,679,014**	**549,460**	**26,580,863**
Bank	**1,407,266**	**209,446**	**2,421**	**–**	**1,619,133**
Corporate (excluding Specialised Financing)	**8,325,481**	**10,410,196**	**5,676,593**	**549,460**	**24,961,730**
Exposure Weighted Average LGD					
Bank	**45%**	**45%**	**45%**	**–**	
Corporate (excluding Specialised Financing)	**45%**	**41%**	**38%**	**41%**	
Exposure Weighted Average Risk Weight					
Bank	**19%**	**42%**	**126%**	**–**	
Corporate (excluding Specialised Financing)	**8%**	**75%**	**110%**	**–**	
2017					
Total Non-Retail Exposure	13,658,564	10,927,600	4,103,337	104,374	28,793,874
Bank	2,140,640	188,420	2,484	–	2,331,544
Corporate (excluding Specialised Financing)	11,517,924	10,739,179	4,100,853	104,374	26,462,330
Exposure Weighted Average LGD					
Bank	45%	45%	45%	–	
Corporate (excluding Specialised Financing)	45%	42%	38%	42%	
Exposure Weighted Average Risk Weight					
Bank	22%	42%	129%	–	
Corporate (excluding Specialised Financing)	5%	72%	102%	–	

Expected Losses versus Actual Losses by Portfolio Types

The following table summarises the expected losses versus actual losses by portfolio type:

Table 19(a): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBBG

	CIMBBG			
	2018		2017	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2017	Actual Losses for the year ended 31 December 2018	Regulatory Expected Losses as at 31 December 2016	Actual Losses for the year ended 31 December 2017
Sovereign	**–**	**–**	–	–
Bank	**11,796**	**0**	11,714	–
Corporate	**737,500**	**8,558**	726,321	122,203
Mortgage/RRE Financing	**253,751**	**92,456**	210,740	41,522
HPE	**152,844**	**231,276**	166,601	99,117
QRRE	**409,984**	**147,444**	422,996	155,991
Other Retail	**204,092**	**54,721**	205,553	(3,424)
Total	**1,769,967**	**534,456**	1,743,924	415,409

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

Expected Losses versus Actual Losses by Portfolio Types (continued)

Table 19(b): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBISLG

	CIMBISLG			
	2018		2017	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2017	Actual Losses for the year ended 31 December 2018	Regulatory Expected Losses as at 31 December 2016	Actual Losses for the year ended 31 December 2017
Sovereign	**–**	**–**	–	–
Bank	**754**	**–**	518	–
Corporate	**100,694**	**27,400**	84,747	10,381
RRE Financing	**61,361**	**18,739**	37,608	9,105
HPE	**60,753**	**83,289**	50,343	33,904
QRRE	**8,190**	**3,673**	7,519	3,745
Other Retail	**57,689**	**25,177**	48,556	7,850
Total	**289,441**	**158,279**	229,291	64,984

Actual loss refers to impairment provisions and direct write-offs, if any during the year.

On the other hand, EL measures the loss expected from non-defaulted exposures at the start of the year. It is computed based on the risk parameters of the adopted IRB Approach. While a comparison of actual losses and EL provides some insight of the predictive power of the IRB Approach models used by the Group, the two metrics are not directly comparable due to the differences in methodology.

OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into CSA with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes, International Swaps and Derivatives Association Agreement and exposure as at 31 December 2018 and 31 December 2017 there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

Credit Risk

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2018 and 31 December 2017:

Table 20(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG

2018	CIMBBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	3,225,835		3,225,835	2,037,826
Transaction Related Contingent Items	6,481,379		3,240,689	2,054,015
Short Term Self Liquidating Trade Related Contingencies	2,407,364		481,473	262,486
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement	487,231		487,231	36,342
Foreign Exchange Related Contracts				
One year or less	23,312,356	172,206	413,783	247,663
Over one year to five years	785,659	3,452	49,189	30,139
Over five years	–	–	–	–
Interest/Profit Rate Related Contracts				
One year or less	2,687,446	163,393	189,850	186,575
Over one year to five years	7,890,790	189,320	419,999	202,874
Over five years	1,345,776	76,322	239,042	115,994
Equity Related Contracts				
One year or less	78,109	560	5,247	4,233
Over one year to five years	205,176	52,849	69,263	98,036
Over five years	–	–	–	–
Commodity Contracts				
One year or less	4,790	386	865	811
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	940,040,176	3,331,376	16,134,224	8,890,399
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	38,957,008		33,657,045	11,517,195
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	385,634		281,933	123,319
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	98,324,607		–	–
Unutilised credit card lines	24,908,970		6,553,372	2,956,981
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	**1,151,528,307**	**3,989,866**	**65,449,041**	**28,764,887**

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG (continued)

2017	CIMBBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	4,020,382		4,020,382	2,020,422
Transaction Related Contingent Items	6,029,559		2,997,210	1,879,997
Short Term Self Liquidating Trade Related Contingencies	2,990,068		598,014	410,770
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/ Commitments to buy back Islamic securities under Sales and Buy Back Agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	728,754,506	5,696,995	12,865,859	6,060,221
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	34,486,729		30,230,549	11,110,733
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,910,249		398,569	343,216
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	92,538,572		–	–
Unutilised credit card lines	29,291,119		8,091,135	2,998,608
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	900,021,186	5,696,995	59,201,718	24,823,967

Credit Risk

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBISLG

2018	CIMBISLG			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	252,242		252,242	183,973
Transaction Related Contingent Items	752,698		376,349	235,878
Short Term Self Liquidating Trade Related Contingencies	51,161		10,232	4,994
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	3,584,486	64,859	117,199	34,930
Over one year to five years	627,346	–	36,827	13,996
Over five years	–	–	–	–
Profit Rate Related Contracts				
One year or less	773,812	16,575	22,583	5,252
Over one year to five years	4,578,878	106,462	236,904	28,064
Over five years	735,023	40,207	151,433	54,348
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	28,557,406	90,220	388,929	129,878
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	10,479,473		9,173,423	2,935,266
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	7,487,489		–	–
Unutilised credit card lines	345,310		135,033	92,533
Off-balance sheet items for securitisation exposures	–		–	–
Total	**58,225,324**	**318,323**	**10,901,153**	**3,719,112**

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBISLG (continued)

2017	CIMBISLG			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	234,791		234,791	179,381
Transaction Related Contingent Items	709,788		354,894	247,814
Short Term Self Liquidating Trade Related Contingencies	19,157		3,831	2,314
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	39,504,980	189,101	799,825	175,993
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	7,749,274		6,680,910	2,621,589
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	30,000		22,500	14,826
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	5,531,798		–	–
Unutilised credit card lines	345,061		123,761	70,980
Off-balance sheet items for securitisation exposures	–		–	–
Total	54,124,851	189,101	8,220,512	3,312,897

Credit Risk

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG

2018	CIMBIBG			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	1,086,899		1,086,899	543,450
Transaction Related Contingent Items	–		–	–
Short Term Self Liquidating Trade Related Contingencies	–		–	–
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
Commodity Contracts				
One year or less	135,513	–	13,551	6,776
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
Credit Derivative Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	131,300	–	9,814	9,814
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	–	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	305		153	152
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Unutilised credit card lines	–		–	–
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	**1,354,017**	**–**	**1,110,417**	**560,191**

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 20(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG (continued)

2017	CIMBIBG			
(RM'000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	1,206,386		1,206,386	603,193
Transaction Related Contingent Items	–		–	–
Short Term Self Liquidating Trade Related Contingencies	–		–	–
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/ Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	279,104	–	28,963	20,530
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,354		677	675
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Unutilised credit card lines	–		–	–
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	1,486,844	–	1,236,026	624,398

The tables below show the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

Table 21(a): Disclosure on Credit Derivative Transactions for CIMBBG

	CIMBBG			
	2018		2017	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**515,564**	**1,770,420**	826,583	1,201,715
Client Intermediation Activities	**–**	**228,040**	–	236,930
Total	**515,564**	**1,998,460**	826,583	1,438,645
Credit Default Swaps	**515,564**	**1,644,309**	826,583	1,234,668
Total Return Swaps	**–**	**354,151**	–	203,978
Total	**515,564**	**1,998,460**	826,583	1,438,645

Credit Risk

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 21(b): Disclosure on Credit Derivative Transactions for CIMBISLG

	CIMBISLG			
	2018		2017	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	–	–	–	–
Client Intermediation Activities	–	20,750	–	25,000
Total	–	20,750	–	25,000
Credit Default Swaps	–	–	–	–
Total Return Swaps	–	20,750	–	25,000
Total	–	20,750	–	25,000

Table 21(c): Disclosure on Credit Derivative Transactions for CIMBIBG

	CIMBIBG			
	2018		2017	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	–	–	–	–
Client Intermediation Activities	–	131,300	–	138,550
Total	–	131,300	–	138,550
Credit Default Swaps	–	–	–	–
Total Return Swaps	–	131,300	–	138,550
Total	–	131,300	–	138,550

CREDIT RISK MITIGATION

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and are considered secondary recourse to the obligor for the credit risk underwritten.

i) **Collaterals/Securities**

All extension of secured credit facilities as deemed prudent, must be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land, buildings and vehicles. Guarantors accepted are in line with BNM's CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

CREDIT RISK MITIGATION (CONTINUED)

ii) **Collateral Valuation and Management**

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

iii) **Netting**

In mitigating the credit risks in foreign exchange and derivative transactions, our Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

iv) **Portfolio diversification for better clarity**

Our Group avoids unwanted credit or market risk concentrations by diversifying our portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2018 and 31 December 2017:

Table 22(a): Disclosure on Credit Risk Mitigation for CIMBBG

2018	CIMBBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	61,427,503	–	–	–
Public Sector Entities	9,655,818	9,000,000	302,582	–
Banks, DFIs & MDBs	28,706,777	2,905,197	533,034	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,078,569	–	4,461	–
Corporate	154,971,933	6,729,877	11,570,465	18,005,096
Residential Mortgages/RRE Financing	85,625,400	–	2,459	–
Qualifying Revolving Retail	13,089,047	–	–	–
Hire Purchase	15,774,802	–	–	–
Other Retail	77,192,856	486,232	1,560,419	–
Securitisation	268,519	–	–	–
Equity	2,290	–	–	–
Higher Risk Assets	1,118,173	–	–	–
Other Assets	11,155,765	–	–	–
Defaulted Exposures	3,898,785	72	58,987	497,817
Total Exposures	465,966,240	19,121,378	14,032,407	18,502,913

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Credit Risk

CREDIT RISK MITIGATION (CONTINUED)

Table 22(a): Disclosure on Credit Risk Mitigation for CIMBBG (continued)

2017

(RM'000) Exposure Class	CIMBBG Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	59,160,661	–	183,711	–
Public Sector Entities	4,289,987	3,197,464	621,804	–
Banks, DFIs & MDBs	27,392,350	19,187	5,041,939	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,391,365	2,500	363,478	–
Corporate	158,193,014	11,398,426	17,761,559	16,779,149
Residential Mortgages/RRE Financing	77,191,176	–	2,509	–
Qualifying Revolving Retail	14,687,394	–	–	–
Hire Purchase	14,924,360	–	–	–
Other Retail	66,000,143	447,045	9,204,485	–
Securitisation	251,895	–	–	–
Higher Risk Assets	1,111,101	–	–	–
Other Assets	10,012,117	4,687	–	–
Defaulted Exposures	3,778,264	9,115	140,139	328,050
Total Exposures	439,383,827	15,078,424	33,319,624	17,107,199

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Table 22(b): Disclosure on Credit Risk Mitigation for CIMBISLG

2018

(RM'000) Exposure Class	CIMBISLG Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	**19,140,796**	**–**	**–**	**–**
Public Sector Entities	**5,315,313**	**5,000,000**	**–**	**–**
Banks, DFIs & MDBs	**1,795,196**	**–**	**1,822**	**–**
Takaful Operators, Securities Firms & Fund Managers	**15,758**	**–**	**510**	**–**
Corporate	**29,440,369**	**4,474,822**	**651,385**	**5,602,453**
RRE Financing	**16,735,171**	**–**	**–**	**–**
Qualifying Revolving Retail	**270,467**	**–**	**–**	**–**
Hire Purchase	**7,326,198**	**–**	**–**	**–**
Other Retail	**23,643,278**	**232**	**44,723**	**–**
Securitisation	**21,006**	**–**	**–**	**–**
Higher Risk Assets	**575**	**–**	**–**	**–**
Other Assets	**71,285**	**–**	**–**	**–**
Defaulted Exposures	**626,885**	**–**	**11**	**214,199**
Total Exposures	**104,402,297**	**9,475,054**	**698,450**	**5,816,652**

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK MITIGATION (CONTINUED)

Table 22(b): Disclosure on Credit Risk Mitigation for CIMBISLG (continued)

2017

	CIMBISLG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	18,365,790	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	3,417,442	–	–	–
Takaful Operators, Securities Firms & Fund Managers	3,899	–	510	–
Corporate	38,534,256	8,636,787	7,180,401	4,297,349
RRE Financing	13,358,041	–	–	–
Qualifying Revolving Retail	250,598	–	–	–
Hire Purchase	5,593,497	–	–	–
Other Retail	9,256,431	370	28,801	–
Securitisation	502	–	–	–
Higher Risk Assets	575	–	–	–
Other Assets	167,611	–	–	–
Defaulted Exposures	259,314	–	3,515	25,302
Total Exposures	89,207,955	8,637,157	7,213,227	4,322,651

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Table 22(c): Disclosure on Credit Risk Mitigation for CIMBIBG

2018

	CIMBIBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	**747,418**	**–**	**–**	**–**
Public Sector Entities	**–**	**–**	**–**	**–**
Banks, DFIs & MDBs	**1,299,023**	**–**	**–**	**–**
Insurance Cos, Securities Firms & Fund Managers	**9,814**	**–**	**–**	**–**
Corporate	**1,366**	**–**	**–**	**–**
Residential Mortgages	**2**	**–**	**–**	**–**
Qualifying Revolving Retail	**–**	**–**	**–**	**–**
Hire Purchase	**–**	**–**	**–**	**–**
Other Retail	**–**	**–**	**–**	**–**
Securitisation	**–**	**–**	**–**	**–**
Higher Risk Assets		**–**	**–**	**–**
Other Assets	**257,578**	**–**	**–**	**–**
Defaulted Exposures	**78**	**–**	**–**	**–**
Total Exposures	**2,315,278**	**–**	**–**	**–**

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Credit Risk

CREDIT RISK MITIGATION (CONTINUED)

Table 22(c): Disclosure on Credit Risk Mitigation for CIMBIBG (continued)

2017	CIMBIBG			
(RM'000) Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	1,065,489	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	1,390,035	–	–	–
Insurance Cos, Securities Firms & Fund Managers	12,097	–	–	–
Corporate	18,137	–	–	–
Residential Mortgages	155,283	–	–	–
Qualifying Revolving Retail	–	–	–	–
Hire Purchase	–	–	–	–
Other Retail	106	–	–	–
Securitisation	–	–	–	–
Higher Risk Assets	–	–	–	–
Other Assets	309,842	–	–	–
Defaulted Exposures	114	–	114	–
Total Exposures	2,951,102	–	114	–

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

SECURITISATION

THE ROLE CIMB PLAYS IN THE SECURITISATION PROCESS

In the course of its business, CIMB Group has undertaken securitisations of its own originated assets as a means of diversifying funding source, as well as advised on securitisations of third party assets as part of its regional debt capital markets services for its clients.

CIMB Group securitises its own assets in order to, amongst others, manage credit risk and to manage term funding for CIMB Group's balance sheet. Typically, CIMB Group undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets
- Asset-backed securities marketing, syndication and trading
- Provider of liquidity facilities to self-originated and third-party transactions
- Investor of third-party securitisations (where CIMB is not originator or sponsor)

DISCLOSURE ON SECURITISATION FOR TRADING AND BANKING BOOK

The following tables show the disclosure on Securitisation for Trading and Banking Book for 31 December 2018 and 31 December 2017:

Table 23(a): Disclosure on Securitisation for Trading and Banking Book

	CIMBBG			
(RM'000) Underlying Asset	Total Exposures Securitised	Past Due	Impaired	Gains/Losses Recognised during the year
2018				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	**1,027,547**	**60,141**	**10,219**	**(7,509)**
2017				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	1,537,961	269,384	11,002	1,289

Table 23(b): Disclosure on Securitisation for Trading and Banking Book

	CIMBISLG			
(RM'000) Underlying Asset	Total Exposures Securitised	Past Due	Impaired	Gains/Losses Recognised during the year
2018				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	**343,306**	**36,301**	**6,361**	**(3,219)**
2017				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	554,490	178,409	9,171	1,714

There were no outstanding exposures securitised by CIMBIBG as at 31 December 2018 and 31 December 2017.

Securitisation

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

Table 24(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG

2018	CIMBBG											
			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	257,379	–	–	–	257,379	–	–	–	–			51,476
Mezzanine	11,141	–	–	–	11,141	–	–	–	–			2,228
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Originating Banking Institution												
On-Balance Sheet												
Most senior	–	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–	–	–	–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Total Exposures	268,519	–	–	–	268,519	–	–	–	–	–	–	53,704

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 24(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG (continued)

2017

	CIMBBG											
			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	238,126	–	–	–	238,126	–	–	–	–			47,625
Mezzanine	13,769	–	–	–	13,769	–	–	–	–			2,754
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Originating Banking Institution												
On-Balance Sheet												
Most senior	–	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–	–	–	–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Total Exposures	251,895	–	–	–	251,895	–	–	–	–	–	–	50,379

Securitisation

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 24(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBISLG

2018 — **CIMBISLG**

(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights: Rated Securitisation Exposures 0%	10%	20%	50%	100%	350%	1250%	Unrated (Look Through) Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	21,006	–	–	–	21,006	–	–	–	–			4,201
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Originating Banking Institution												
On-Balance Sheet												
Most senior	–	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Total Exposures	21,006	–	–	–	21,006	–	–	–	–			4,201

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 24(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBISLG (continued)

2017	CIMBISLG											
			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	502	–	–	–	502	–	–	–	–			100
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Originating Banking Institution												
On-Balance Sheet												
Most senior	–	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Total Exposures	502	–	–	–	502	–	–	–	–			100

As at 31 December 2018 and 31 December 2017, CIMBIBG has no Securitisation under the SA for Banking Book Exposures.

Securitisation

SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE

The tables below present the Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge:

Table 25: Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBBG

	CIMBBG				
(RM'000) Securitisation Exposures	Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk-Weighted Assets
2018					
TRADITIONAL SECURITISATION					
Originated by Third Party					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Originated by Banking Institution					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Securitisation subject to Early Amortisation					
Seller's interest					
On-Balance Sheet	–	–	–	–	–
On-Balance Sheet	–	–	–	–	–
Investor's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	–	–	–	–	–
2017					
TRADITIONAL SECURITISATION					
Originated by Third Party					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Originated by Banking Institution					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Securitisation subject to Early Amortisation					
Seller's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Investor's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	–	–	–	–	–

As at 31 December 2018 and 31 December 2017, CIMBISLG and CIMBIBG have no Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge.

MARKET RISK

Market risk is defined as any fluctuation in the value of a trading or investment exposure resulting from movements in market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

MARKET RISK MANAGEMENT

Our Group adopts various measures as part of the risk management process. Our GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by our Group is within the risk appetite approved by our Board. Our Group hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

Market Risk CoE is responsible for measuring and controlling our Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

Our Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets' trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limit usage, assessing limit adequacy and verifying transaction prices.

CAPITAL TREATMENT FOR MARKET RISK

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Market Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG for the following in Tables 2(a), (b) and (c):

- Interest Rate Risk/Profit Rate Risk;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The definition for capital purpose includes legal risk but excludes strategic and reputation risks.

OPERATIONAL RISK MANAGEMENT OVERSIGHT

The Operational Risk Management (ORM) department, a second line of defence function, provides the methodology, tools and processes for the identification, assessment, reporting and management of operational risks for the implementation by respective risk owners across the Group. The ORM department also independently oversees the operational risk controls monitoring that resides within the first line of defence.

Identified risks are rated using a defined risk rating methodology applied across the Group's three lines of defence. Monitoring of the identified risks is primarily done through the Operational Risk Committee or relevant risk management committees operating in each material geography and business line. These committees report up to the relevant functional or country level committees.

A strong governance structure is in place to ensure an effective and consistent implementation of the Group's Operational Risk framework. The Board is ultimately responsible for the Group's risk management activities, sets the strategic directions, risk appetite and relevant frameworks for the Group.

The responsibility of risk management supervision and control is delegated to the Group Risk and Compliance Committee (GRCC), which reports to the Board Risk and Compliance Committee (BRCC). The GRCC, comprising Senior Management of the Group, performs the oversight function for the overall management of risks. The GRCC is supported by the Group Operational Risk Committee which is a specialised sub-committee providing oversight on operational risk matters across the Bank.

Escalation and reporting processes are well instituted through the various management Committees mentioned above. The responsibilities of the Committees and the Board include the following:

i) Oversight and implementation of the Operational Risk Management Framework
ii) Establish and monitor operational risk appetite
iii) Establish effective policies, processes and systems for managing operational risk and an internal governance structure
iv) Be aware of key operational risk issues
v) Ensure that product risks are well managed and the needs and rights of consumers are appropriately addressed
vi) Ensure compliance to regulatory and internal requirements including disclosures.

Group Internal Audit Division performs regular reviews and assessments of the operational risk management framework, processes and systems. Results are communicated to the Board and senior management.

OPERATIONAL RISK MANAGEMENT APPROACH

CIMB Group recognises that the key determinant for a well-managed banking operation is to cultivate an organisational-wide risk management discipline and culture. Our Group manages operational risks through the following key measures:

i) Sound risk management practices in accordance with Basel II and regulatory guidelines;
ii) Board and senior management oversight;
iii) Well-defined responsibilities for all personnel concerned;
iv) Establishment of a risk management culture; and
v) Deployment of ORM tools that include:
   - Operational Event and Loss Data Management;
   - Risk Control Self-Assessment;
   - Control Issue Management;
   - New Product Approval Process;
   - Key Risk Indicators; and
   - Scenario Analysis.

These tools form part of the operational risk policy that allows the Group to effectively identify, measure, mitigate and report its operational risks. Each material division of the Group self-assesses on their internal risk and control environment and report key control deficiencies with remediation plans.

Each new or varied product with changes to the process flow is subjected to a rigorous risk review, where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners.

The promotion of a risk management culture within our Group, whereby the demand for integrity and honesty is non-negotiable, remains the core theme in our operational risk awareness program. Additionally, the e-learning module on operational risk management has enhanced the awareness of operational risk amongst the staff.

CAPITAL TREATMENT FOR OPERATIONAL RISK

The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Operational Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c).

EQUITY EXPOSURES IN BANKING BOOK

The Group's banking book equity investments consist of:

i) Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and

ii) Investments held for yield and/or long-term capital gains.

The Group's and CIMB's banking book equity investments are measured at fair value in accordance with Malaysian Financial Reporting Standards.

Realised and unrealised gains or losses arising from sales and liquidations of equities for the year ended 31 December 2018 and 31 December 2017 is as follows:

Table 26(a): Realised Gains/Losses from Sales and Liquidations, and Unrealised Gains of Equities for CIMBBG

	CIMBBG	
(RM'000)	2018	2017
Realised loss		
Shares, private equity funds and unit trusts	–	(727)
Unrealised gains		
Shares, private equity funds and unit trusts	**73,880**	776,163

Table 26(b): Realised Gains/Losses from Sales and Liquidations, and Unrealised Gains of Equities for CIMBIBG

	CIMBIBG	
(RM'000)	2018	2017
Realised loss		
Shares, private equity funds and unit trusts	–	(38)
Unrealised gains		
Shares, private equity funds and unit trusts	–	–

There were no realised and unrealised gained or losses for equity holdings in banking book for CIMBISLG as at 31 December 2018 and 31 December 2017.

The following table shows an analysis of equity investments by appropriate equity groupings and Risk-Weighted assets as at 31 December 2018 and 31 December 2017 for the Group:

Table 27(a): Analysis of Equity Investments by Grouping and RWA for CIMBBG

	CIMBBG			
	2018		2017	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**1,111,223**	**1,664,147**	1,111,715	1,663,821
Publicly traded	**2,290**	**2,290**	4,083	4,083
Total	**1,113,514**	**1,666,437**	1,115,798	1,667,904

Equity Exposures in Banking Book

Table 27(b): Analysis of Equity Investments by Grouping and RWA for CIMBISLG

	CIMBISLG			
	2018		2017	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**575**	**863**	575	863
Publicly traded	**–**	**–**	–	–
Total	**575**	**863**	575	863

Table 27(c): Analysis of Equity Investments by Grouping and RWA for CIMBIBG

	CIMBIBG			
	2018		2017	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	**–**	**–**	–	–
Publicly traded	**–**	**–**	–	–
Total	**–**	**–**	–	–

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

IRRBB/RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/profit rates.

IRRBB/RORBB MANAGEMENT

Our Group manages its exposure of fluctuations in the interest rates/profit rates through policies established by GALCO. IRRBB/RORBB undertaken by our Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by our Group. The risk appetite is established by the Board. The GALCO is a Board-delegated committee which reports to the GRCC. With the support from ALM COE under Group Risk, and CBSM under Group Finance, our GALCO is responsible for the review and monitoring of the Group's balance sheet, business and hedging strategies, the overall interest rate risk/ rate of return risk profile and ensuring that such risk profile is within the established risk appetite. Treasury & Markets is responsible for the day-to-day management of exposures and gapping activities, including execution of hedging strategies.

IRRBB/RORBB is measured by:

- **Economic Value of Equity (EVE) sensitivity:**

  measures the long term impact of sudden interest rate/profit rate movement across the full maturity spectrum of our Group's assets and liabilities. It defines and quantifies interest rate risk/rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest rates/profit rates. This measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

  For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/ profit rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

  The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from economic value perspective:

Table 28(a): IRRBB – Impact on Economic Value for CIMBBG

	CIMBBG	
	2018	2017
(RM'000) Currency	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**(1,271,915)**	(1,293,916)
US Dollar	**(58,861)**	(5,919)
Thai Baht	**(248,323)**	(121,469)
Singapore Dollar	**(128,771)**	(164,862)
Others	**17,192**	14,861
Total	**(1,690,678)**	(1,571,305)

Table 28(b): RORBB – Impact on Economic Value for CIMBISLG

	CIMBISLG	
	2018	2017
(RM'000) Currency	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**(554,644)**	(589,821)
US Dollar	**(2,078)**	46,623
Thai Baht	**(7)**	(7)
Singapore Dollar	**(6)**	(2)
Others	**464**	273
Total	**(556,271)**	(542,934)

Interest Rate Risk/Rate of Return Risk in the Banking Book

IRRBB/RORBB MANAGEMENT (CONTINUED)

- **Economic Value of Equity (EVE) sensitivity (continued):**

Table 28(c): IRRBB – Impact on Economic Value for CIMBIBG

(RM'000) Currency	CIMBIBG 2018	CIMBIBG 2017
	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**5,786**	(1,059)
US Dollar	**–**	–
Thai Baht	**–**	–
Singapore Dollar	**–**	–
Others	**–**	–
Total	**5,786**	(1,059)

- **Earnings At Risk:**

is the potential impact of interest/profit rate changes on the bank's accruing or reported earnings. It focuses on risk-to-earnings in the near term, typically the next one year. Fluctuations in interest rates/profit rate generally affect reported earnings through changes in the bank's net interest/profit income, which is the difference between total interest/profit income earned from assets and total interest/profit expense incurred from liabilities. Our Group's EAR takes into consideration forecasts on budgeted new business generation and product pricing strategies.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/profit rate shock is applied to the static balance sheet positions. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from the earnings perspective:

Table 29(a): IRRBB – Impact on Earnings for CIMBBG

(RM'000) Currency	CIMBBG 2018	CIMBBG 2017
	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**275,221**	223,810
US Dollar	**(147,068)**	(86,372)
Thai Baht	**(48,056)**	(9,619)
Singapore Dollar	**18,647**	(34,047)
Others	**41,812**	22,126
Total	**140,556**	115,898

IRRBB/RORBB MANAGEMENT (CONTINUED)

- **Earnings At Risk (continued):**

Table 29(b): RORBB – Impact on Earnings for CIMBISLG

	CIMBISLG	
	2018	**2017**
(RM'000) Currency	**+100bps Increase (Decline) in Earnings (Value in RM Equivalent)**	
Ringgit Malaysia	**(44,630)**	(16,550)
US Dollar	**(8,650)**	(3,904)
Thai Baht	**162**	172
Singapore Dollar	**146**	59
Others	**(1,174)**	(1,216)
Total	**(54,146)**	(21,439)

Table 29(c): IRRBB – Impact on Earnings for CIMBIBG

	CIMBIBG	
	2018	**2017**
(RM'000) Currency	**+100bps Increase (Decline) in Earnings (Value in RM Equivalent)**	
Ringgit Malaysia	**3,990**	4,132
US Dollar	**–**	–
Thai Baht	**–**	–
Singapore Dollar	**–**	–
Others	**(6)**	(5)
Total	**3,984**	4,127

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CIMB Group Holdings Berhad (50841-W)

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