Company No: 18417-M

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Reports and Financial Statement
for the financial year ended 31 December 2015

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

Contents

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2015

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

Principal activities

The principal activities of the Bank during the financial year are investment banking and the provision of related financial services. The principal activities of the subsidiaries during the financial year are as set out in Note 11 to the Financial Statements, consist of futures broking and the provision of nominee services. There was no significant change in the nature of these activities during the financial year.

Financial results

	The Group RM'000	The Bank RM'000
Net profit after taxation	71,475	65,992

Dividends

The Directors have proposed an interim single tier dividend comprising of RM66 per redeemable preference share, amounting to RM66,000,000 in respect of financial year ended 31 December 2015. The dividend was approved by the Board of Directors in a resolution dated 27 January 2016.

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.

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

Issuance of shares

There were no changes to authorised, issued and paid up capital of the Bank during the financial year.

Bad and doubtful debts, and financing

Before the Financial Statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad 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 Bank, inadequate to any substantial extent.

Current assets

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

Valuation methods

At the date of this Report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank 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 Bank which has arisen since the end of the financial year which secures the liability of any other person; or

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

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

Contingent and other liabilities (Continued)

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

Change of circumstances

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

Items of an unusual nature

In the opinion of the Directors:

(a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

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

Directors

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

Dato' Robert Chiem Dau Meng (appointed on 1 July 2015)
Puan Nadzirah binti Abd Rashid
Dato' David Chua Ming Huat (appointed on 13 February 2015)
Mr. Manu Bhaskaran (appointed on 1 June 2015)
Dato' Kong Sooi Lin (appointed on 1 March 2016)
Habibah binti Abdul (resigned on 31 March 2015)
Dato' Sri Mohamed Nazir bin Abdul Razak (resigned on 1 July 2015)
Dato' Zainal Abidin bin Putih (resigned on 1 July 2015)
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz (resigned on 20 January 2016)

In accordance with Articles 75A and 75B of the Bank's Articles of Association, Dato' David Chua Ming Huat and Mr. Manu Bhaskaran will retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

Directors' interests in shares and share options

According to the Register of Directors' Shareholdings, the beneficial interests of the Directors who held office at the end of the financial year, in the shares and share options of the ultimate holding company during the financial year are as follows:

	Number of ordinary shares of RM1 each			
	As at 1 January/ date of appointment	Acquired/ granted	Disposed	As at 31 December
__Ultimate holding company__				
CIMB Group Holdings Berhad				
Dato' Robert Cheim Dau Meng*	258,343	10,587 [(a)]	(9,050) [(b)]	259,880
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	248,529	287,565 [(a)]	(82,840) [(b)]	453,254

* Include shareholding of spouse and children, details of which are as follows:

	As at 1 January/ date of appointment	Acquired/ granted	Disposed	As at 31 December
Cheim Tat Seng	96,246	9,521 [(a)]	(9,050) [(b)]	96,717

Note :

[(a)] *Shares granted under Equity Ownership Plan ("EOP") and acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")*

[(b)] *Shares vested during the year*

	No. of debentures held			
	As at date of appointment	Acquired/ Granted	Disposed	As at 31 December
CIMB Group Holdings Berhad				
-Subordinated Fixed Rate Notes				
Dato' Robert Cheim Dau Meng	RM 1,000,000	-	-	RM 1,000,000
CIMB Niaga Tbk				
-Subordinated Notes				
Dato' Robert Cheim Dau Meng	IDR 1,000,000,000	-	-	IDR 1,000,000,000
CIMB Thai Bank				
-Subordinated Notes 2024				
Dato' Robert Cheim Dau Meng	RM 1,000,000	-	-	RM 1,000,000

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

Directors' interests in shares and share options (Continued)

Other than as disclosed in the previous page, according to the Register of Directors' Shareholdings, the Directors in the office at the end of the financial year did not hold any interest in shares, and share options of the Bank, the holding company, the ultimate holding company and its related companies during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 33 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than the Equity Ownership Plan of the ultimate holding company (see Note 39 to the Financial Statements) as disclosed in this Report.

2015 Business Plan and Strategy

The Investment Banking business continued to operate under challenging external and domestic economic and market conditions against a backdrop of falling commodity prices e.g. the steep decline in oil price, sluggish equity markets, rising US interest rates, weakening Ringgit and the devaluation of the RMB. In spite of these headwinds, CIMB continued to stay focused and placed greater emphasis on the origination of mergers and acquisitions (M&A) activities.

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

2015 Business Plan and Strategy (Continued)

The Group registered a pre-tax profit of RM 110.8 million for the financial year ended 31 Dec 2015, resulting in an increase of RM58.6 million or 112% higher as compared to RM52.2million in 2014. The higher profit was attributable to higher fee and commission income and Income from Islamic Banking operations by RM47.0 million and RM22.5 million respectively. This was however offset by a decrease in Brokerage income of RM31.8 million due to lower volume of market transactions in 2015. Overheads stood at RM248.6 million, reflecting a RM5.8 million increase as compared to the previous corresponding year, largely due to higher personnel cost.

In terms of market ranking in Malaysia, the Bank was ranked #1 in equity capital markets (ECM) with 24.5% market share (Dealogic), #3 for IPO (Dealogic) with a 13.0% market share, and #4 for M&A with a 5.2% market share(Bloomberg), for the period ended 31 December 2015. The Bank's equities broking was ranked at #2 for 2015 with a 10.8% market share.

CIMB continued to secure high profile ECM deals in 2015. The Bank was the principal adviser, joint managing underwriter and joint underwriter for Malaysia Airports Holdings ("MAHB") renounceable rights issue, valued at RM1.3 billion. The Bank was also the joint bookrunner for Khazanah Nasional Berhad RM1.6 billion block trade of Tenaga Nasional Berhad shares (fourth largest block trade in the Malaysian capital markets history).

In relation to IPOs, CIMB was the joint principal adviser, joint global coordinator, joint bookrunner, joint managing underwriter and joint underwriter for Malakoff Corporation Berhad's IPO, Malaysia's largest IPO year-to-date, valued at RM3.15 billion. The Bank was also the joint managing underwriter and joint underwriter for Red Sena's IPO valued at RM400 mil, the 1st SPAC listing for the F&B industry. In Singapore, CIMB Bank was issue manager, sponsor, sole placement agent and underwriter for iXBiopharma Ltd SGD30.1 mil IPO, the largest Singapore IPO year-to-date. The Bank secured a Euro209 million M&A deal for the acquisition of an additional 40% equity stake in Turkish Airports by MAHB where CIMB acted as the joint principal adviser.

2015 Business Plan and Strategy (Continued)

CIMB also completed several high-profile M&A deals including Eco World Development Group Berhad's RM1.8 billion acquisition of 100% equity interest and development rights in certain subsidiaries of Eco World Development Sdn Bhd, Khazanah Nasional Bhd's RM1.4 billion privatisation of Malaysian Airline System Bhd, Malaysia Airports Holdings Bhd's acquisition of the remaining 40% equity stakes in ISG and LGM with a deal value of EUR279.2 million and USD79.0 million sale of Delhi International Airport Pvt Ltd to GMR Infrastructure Ltd, Malaysian Resources Corporation Bhd's RM716.7 million sale of Platinum Sentral to Quill Capita Trust and Tenaga Nasional Bhd's RM173.5 million privatisation of Integrax Bhd.

CIMB continued to reap investment banking and equity awards and, for 2015 thus far, has received awards for Best Investment Bank in Malaysia from Finance Asia, Global Finance and Alpha Southeast Asia. The Bank's Islamic financing activities resulted in several significant deals which were recognised by The Banker's Deal of the Year Awards 2015 for the Islamic Finance Deal of the Year in Asia Pacific, IFR's Regional Islamic Issue 2015, ALB Malaysia Law Awards 2015 for the Islamic Finance Deal of the Year, The Asset Triple A Islamic Finance Awards 2014 for the Best Islamic Equity-linked Deal. In addition, the Bank won awards such as from Best Equity House, Best Bond House in Malaysia and Best Country Deals from IFR, The Asset Triple A, Alpha Southeast Asia and Finance Asia.

The Bank was also involved in several cross border deals such as Dairy Farm International Holdings Ltd's acquisition of a minority stake in GCH (Malaysia) Sdn Bhd, Sapura Resources Berhad's Proposed divestment of its minority interests in its subsidiaries (Sri Lanka, Malaysia), Silverlake Axis Ltd's proposed acquisition of a company listed on the New Zealand Stock Exchange (Malaysia, Singapore), the award winning Istanbul Sabhiha Gokcen Uluslararasi Havaliman EURO500.0m Syndicated Term Loan to refinance ISG's existing borrowings , Ballarpur Industries Limited's divestment of its entire equity stake of 98.08% in Sabah Forest Industries Sdn. Bhd., IHH Healthcare Berhad's MYR819 million acquisition of Global Hospitals and Seek Ltd'sRM1.9 billion acquisition of 100% of Job Street Corporation Bhd.

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

Outlook for 2016

2016 is expected to remain challenging for the Investment Banking industry in line with moderating regional economic growth and market volatility. External factors such as slower global economic growth rates, weaker currencies, continued commodities price volatility and sluggish markets will weigh on capital markets. Deal opportunities remain dependent on market conditions and investor sentiments.

Ratings by External Rating Agencies

Details of the ratings of the Bank and its debt securities as at the date of this report are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
RAM Rating Services Berhad	December 2015	Long-term Financial Institution Rating Short-term Financial Institution Rating	AAA P1	Stable
Moody's Investors Service	October 2015	Long-term Issuer Rating Short-term Issuer Rating	A3 P-2	Stable
Standard & Poor's Ratings Services	December 2015	Long-term Foreign rating Short-term Foreign rating Long-term local currency rating Short-term local curency rating Long-term local ASEAN rating Short-term local ASEAN rating	A- A-2 A- A-2 axAA axA-1	Stable

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

Board Shariah Committee

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

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

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

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

The members of the Board Shariah Committee are as follows:

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

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

Board Shariah Committee (Continued)

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

Zakat obligations

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

Significant event during the financial year

There are no significant events during the financial year.

Subsequent events after the financial year end

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

Statement of Director's Responsibility

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

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

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

Statement of Director's Responsibility (Continued)

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 12 of the Directors' Report.

Ultimate holding company

The Directors regard CIMB Group Holdings Berhad, a company incorporated in Malaysia and listed on the Main Board of the Bursa Malaysia Securities Berhad, as the Bank's ultimate holding company.

Auditors

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

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

Dato' Robert Cheim Dau Meng
Chairman

Puan Nadzirah binti Abd Rashid
Director

Kuala Lumpur
8 March 2016

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Robert Cheim Dau Meng and Puan Nadzirah binti Abd Rashid, being two of the Directors of CIMB Investment Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 19 to 199 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2015 and of the results and the cash flows of the Group and the Bank for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

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

Dato' Robert Cheim Dau Meng
Chairman

Puan Nadzirah binti Abd Rashid
Director

Kuala Lumpur
8 March 2016

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

I, Shahnaz Farouque bin Jammal Ahmad, being the officer primarily responsible for the financial management of CIMB Investment Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 19 to 199 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Shahnaz Farouque bin Jammal Ahmad

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

Commissioner for Oaths

PESURUHJAYA SUMPAH
No W533
Nama: YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
MALAYSIA
205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Board Shariah Committee's Report

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

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

Our main responsibility and accountability is to assist the Board in ensuring that the Bank's 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 Bank is doing business.

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

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

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal and external controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Bank has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us except for one incident of Shariah non-compliance activity, i.e the usage of conventional letter of demand issued for Islamic Stockbroking customer for recovery purposes. There are no earnings that was derived from this incident.

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

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

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

In our opinion:

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

Company No: 18417-M

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

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

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

On behalf of the Board Shariah Committee

Sheikh Associate Professor Dr. Mohamed Azam Mohamed Adil
Chairman

Sheikh Professor Dr. Mohammad Hashim Kamali
Member

Kuala Lumpur
8 March 2016

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Company No. 18417-M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of CIMB Investment Bank Berhad on pages 19 to 199, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Bank, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 49.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 18417-M)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the Financial Statements of the subsidiaries that have been consolidated with the Bank's Financial Statements are in form and content appropriate and proper for the purposes of the preparation of the Financial Statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the Financial Statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 18417-M)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
8 March 2016

CIMB Investment Bank Berhad
(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2015

		The Group		The Bank	
	Note	**31 December 2015 RM'000**	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000
Assets					
Cash and short term funds	2	**1,183,818**	1,305,035	**1,148,671**	1,274,794
Reverse repurchase agreements		**-**	195,890	**-**	195,890
Deposits and placements with banks and other financial institutions	3	**273,710**	50,637	**273,680**	50,607
Financial assets held for trading	4	**2,912**	4,655	**2,912**	4,655
Derivative financial instruments	5	**16,941**	21,887	**16,941**	21,887
Financial investments available-for-sale	6	**1,437**	1,464	**745**	745
Loans, advances and financing	7	**194,865**	179,181	**194,865**	179,181
Other assets	8	**971,334**	1,145,355	**968,790**	1,142,718
Tax recoverable		**13,442**	-	**13,391**	-
Deferred tax assets	9	**15,278**	46,428	**15,155**	46,296
Amounts due from related companies	37	**24,976**	21,939	**25,056**	21,951
Statutory deposits with Bank Negara Malaysia	10	**23**	1,721	**23**	1,721
Investment in subsidiaries	11	**-**	-	**9,050**	9,050
Investment in associates	12	**6,734**	5,835	**-**	-
Property, plant and equipment	13	**79,431**	107,514	**80,304**	108,294
Investment Properties	14	**18,879**	-	**18,879**	-
Goodwill	15	**964**	964	**-**	-
Total assets		**2,804,744**	3,088,505	**2,768,462**	3,057,789
Liabilities					
Deposits from customers	16	**200,113**	346,561	**200,113**	346,561
Deposits and placements of banks and other financial institutions	17	**1,118,016**	1,133,629	**1,118,016**	1,133,629
Derivative financial instruments	5	**8,375**	10,626	**8,375**	10,626
Other liabilities	18	**813,310**	962,286	**811,060**	960,177
Provision for taxation and Zakat	19	**1**	3,822	**-**	3,790
Amounts due to related companies	37	**5,161**	19,415	**5,161**	19,415
Subordinated loan	20	**5,000**	5,000	**-**	-
Total liabilities		**2,149,976**	2,481,339	**2,142,725**	2,474,198
Capital and reserves attributable to equity holders of the Bank					
Ordinary share capital	21	**100,000**	100,000	**100,000**	100,000
Redeemable preference shares	22	**10**	10	**10**	10
Reserves	23	**554,758**	507,156	**525,727**	483,581
Total equity		**654,768**	607,166	**625,737**	583,591
Total equity and liabilities		**2,804,744**	3,088,505	**2,768,462**	3,057,789
Commitments and contingencies	42	**792,415**	746,944	**792,415**	746,944

CIMB Investment Bank Berhad
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Statements of Income
for the financial year ended 31 December 2015

		The Group		The Bank	
		2015	2014	**2015**	2014
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Interest income	24	**40,051**	38,307	**34,133**	34,440
Interest expense	25	**(37,248)**	(40,095)	**(36,974)**	(39,647)
Net interest income / (expense)		**2,803**	(1,788)	**(2,841)**	(5,207)
Income derived from investment of depositors' funds and others	47	**2,349**	1,515	**2,349**	1,515
Income derived from investment of shareholders' funds	47	**53,980**	32,867	**53,980**	32,867
Income attributable to the depositors	47	**(3,613)**	(4,148)	**(3,613)**	(4,148)
Income from Islamic Banking operations		**52,716**	30,234	**52,716**	30,234
Writeback of /(allowance for) impairment losses on loans, advances and financing	26	**2,614**	(1,122)	**2,614**	(1,122)
Writeback of impairment losses on other receivables		**870**	2,402	**852**	2,376
Recoveries from investment management and securities services		**-**	804	**-**	804
		59,003	30,530	**53,341**	27,085
Fee and commission income	27	**130,774**	83,727	**130,857**	83,727
Dividend income	28	**202**	4	**202**	1,704
Net trading income	29	**8,906**	259	**8,906**	259
Gain arising from sale of financial investments available-for-sale	30	**-**	44	**-**	-
Income from asset management and securities services		**9,280**	4,886	**9,280**	4,886
Brokerage income		**129,896**	161,738	**124,905**	157,323
Other non-interest income	31	**20,448**	12,757	**20,276**	12,708
Non-interest income		**299,506**	263,415	**294,426**	260,607
Net income		**358,509**	293,945	**347,767**	287,692
Overheads	32	**(248,631)**	(242,840)	**(244,034)**	(238,349)
		109,878	51,105	**103,733**	49,343
Share of profit of associates	12	**899**	1,069	**-**	-
Profit before taxation		**110,777**	52,174	**103,733**	49,343
Taxation	34	**(39,302)**	(20,081)	**(37,741)**	(18,737)
Profit after taxation		**71,475**	32,093	**65,992**	30,606
Earnings per share attributable to ordinary equity holders (sen) -basic	35	**71.48**	32.09	**65.99**	30.61

CIMB Investment Bank Berhad
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Statements of Comprehensive Income
for the financial year ended 31 December 2015

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Profit for the financial year	**71,475**	32,093	**65,992**	30,606
Other comprehensive expense				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve-financial investments available-for-sale				
-Loss from change in fair value	**(27)**	(277)	**-**	-
Other comprehensive expense for the financial year, net of tax	**(27)**	(277)	**-**	-
Total comprehensive income for the financial year	**71,448**	31,816	**65,992**	30,606

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CIMB Investment Bank Berhad

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

	Attributable to owners of Parent							
	Share capital RM'000	**Redeemable preference shares RM'000**	**Statutory reserve RM'000**	**Revaluation reserve-financial investments available-for-sale RM'000**	**Share-based payment reserve RM'000**	**Regulatory reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
The Group								
At 1 January 2015	**100,000**	**10**	**155,805**	**215**	**35,992**	**-**	**315,144**	**607,166**
Net profit for the financial year	-	-	-	-	-	-	71,475	71,475
Other comprehensive expense (net of tax)								
-financial investments available-for-sale	-	-	-	(27)	-	-	-	(27)
Total comprehensive income/(expense) for the financial year	-	-	-	(27)	-	-	71,475	71,448
Share-based payment expense	-	-	-	-	12,794	-	-	12,794
Shares released under Equity Ownership Plan	-	-	-	-	(36,640)	-	-	(36,640)
Transfer to regulatory reserve	-	-	-	-	-	2,181	(2,181)	-
At 31 December 2015	**100,000**	**10**	**155,805**	**188**	**12,146**	**2,181**	**384,438**	**654,768**

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

	Attributable to owners of Parent							
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
The Group								
At 1 January 2014	100,000	10	155,805	492	30,070	-	283,051	569,428
Net profit for the financial year	-	-	-	-	-	-	32,093	32,093
Other comprehensive expense (net of tax)								
- financial investments available-for-sale	-	-	-	(277)	-	-	-	(277)
Total comprehensive income/(expense) for the financial year	-	-	-	(277)	-	-	32,093	31,816
Share-based payment expense	-	-	-	-	38,222	-	-	38,222
Shares released under Equity Ownership Plan	-	-	-	-	(32,300)	-	-	(32,300)
At 31 December 2014	100,000	10	155,805	215	35,992	-	315,144	607,166

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

	← Non-distributable						→	← Distributable →	
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
The Bank									
At 1 January 2015	100,000	10	155,805	(272,007)	35,992	271,377	-	292,414	583,591
Net profit for the financial year	-	-	-	-	-	-	-	65,992	65,992
Total comprehensive income for the financial year	-	-	-	-	-	-	-	65,992	65,992
Share-based payment expense	-	-	-	-	12,794	-	-	-	12,794
Shares released under Equity Ownership Plan	-	-	-	-	(36,640)	-	-	-	(36,640)
Transfer to regulatory reserve	-	-	-	-	-	-	2,181	(2,181)	-
At 31 December 2015	100,000	10	155,805	(272,007)	12,146	271,377	2,181	356,225	625,737

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

	Non-distributable							Distributable	
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
The Bank									
At 1 January 2014	100,000	10	155,805	(272,007)	30,070	271,377	-	261,808	547,063
Net profit for the financial year	-	-	-	-	-	-	-	30,606	30,606
Total comprehensive income for the financial year	-	-	-	-	-	-	-	30,606	30,606
Share-based payment expense	-	-	-	-	38,222	-	-	-	38,222
Shares released under Equity Ownership Plan	-	-	-	-	(32,300)	-	-	-	(32,300)
At 31 December 2014	100,000	10	155,805	(272,007)	35,992	271,377	-	292,414	583,591

CIMB Investment Bank Berhad
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Statements of Cash Flows
for the financial year ended 31 December 2015

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Operating activities				
Profit before taxation	**110,777**	52,174	**103,733**	49,343
Add/(less) adjustments:				
(Write back of)/allowance for impairment losses on loans, advances and financing	**(2,614)**	1,122	**(2,614)**	1,122
Depreciation of investment property	**515**	-	**515**	-
Depreciation of property, plant and equipment	**16,069**	26,283	**15,970**	26,153
Write back of impairment losses on other receivables (net)	**(870)**	(2,402)	**(852)**	(2,376)
Net amortisation of premium less accretion of discounts	**14**	5	**14**	5
Unrealised loss/(gain) on financial assets held for trading	**96**	(98)	**96**	(98)
Unrealised loss on derivative financial instruments	**2,696**	2,675	**2,696**	2,675
Gain on disposal of property, plant and equipment	**(847)**	(1,568)	**(847)**	(1,568)
Gain from sale of financial investments available-for-sale	**-**	(44)	**-**	-
Gross dividends from subsidiaries	**-**	-	**-**	(1,700)
Gross dividends from financial assets held for trading	**(202)**	(4)	**(202)**	(4)
Unrealised foreign exchange gain	**(1,433)**	(1,613)	**(1,274)**	(1,599)
Share of results of associates	**(899)**	(1,069)	**-**	-
Share-based payment expense	**12,794**	38,222	**12,794**	38,222
Property, plant and equipment written off	**15**	346	**15**	346
Cash flow from operating profit before changes in operating assets and liabilities	**136,111**	114,029	**130,044**	110,521
Decrease/(increase) in operating assets				
Reverse repurchase agreements	**195,890**	4,361	**195,890**	4,361
Deposits and placements with banks and other financial institutions	**(223,073)**	(50,506)	**(223,073)**	(50,505)
Financial assets held for trading	**1,633**	(2,406)	**1,633**	(2,407)
Derivative financial instruments	**(1)**	-	**(1)**	-
Loans, advances and financing	**(13,070)**	(49,236)	**(13,070)**	(49,236)
Other assets	**139,684**	38,013	**139,414**	38,520
Statutory deposits with Bank Negara Malaysia	**1,698**	730	**1,698**	730
Amounts due from related companies	**6,207**	(7,424)	**6,207**	(7,424)
Amounts due from immediate holding company	**(6)**	-	**(6)**	-
Amounts due from ultimate holding company	**(106)**	190	**(106)**	190
Amounts due from subsidiaries	**-**	-	**(68)**	119
	108,856	(66,278)	**108,518**	(65,652)

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

	Note	The Group 2015 RM'000	The Group 2014 RM'000	The Bank 2015 RM'000	The Bank 2014 RM'000
(Decrease) in operating liabilities					
Deposits from customers		**(146,448)**	(4,562)	**(146,448)**	(4,562)
Deposits and placements of banks and other financial institutions		**(15,613)**	(12,012)	**(15,613)**	(12,012)
Other liabilities		**(144,996)**	(153,431)	**(145,137)**	(152,526)
Amounts due to related companies		**(14,254)**	17,134	**(14,254)**	17,134
Cash used in operating activities		**(76,344)**	(105,120)	**(82,890)**	(107,097)
Taxation paid		**(34,547)**	(33,855)	**(32,913)**	(32,826)
Net cash used in operating activities		**(110,891)**	(138,975)	**(115,803)**	(139,923)
Investing activities					
Dividends received from associates		**-**	1,620	**-**	-
Dividends received from subsidiaries		**-**	-	**-**	1,700
Dividends received from financial assets held for trading		**202**	3	**202**	4
Net proceeds of financial investments available-for-sale		**-**	1,127	**-**	-
Purchase of property, plant and equipment		**(8,478)**	(15,741)	**(8,468)**	(15,724)
Proceeds from disposal of property, plant and equipment		**1,930**	82,281	**1,926**	82,281
Net cash generated (used in)/from investing activities		**(6,346)**	69,290	**(6,340)**	68,261
Financing activities					
Net repayment from subordinated loan		**-**	(10,000)	**-**	-
Net cash used in financing activities		**-**	(10,000)	**-**	-
Net decrease in cash and cash equivalents during the financial year		**(117,237)**	(79,685)	**(122,143)**	(71,662)
Cash and cash equivalents at beginning of the financial year		**1,272,659**	1,352,344	**1,242,418**	1,314,080
Cash and cash equivalents at end of the financial year		**1,155,422**	1,272,659	**1,120,275**	1,242,418
Cash and cash equivalents comprise the following:					
Cash and short term funds	2	**1,183,818**	1,305,035	**1,148,671**	1,274,794
Adjustment for monies held in trust: Remisiers' balances		**(28,396)**	(32,376)	**(28,396)**	(32,376)
Cash and cash equivalents		**1,155,422**	1,272,659	**1,120,275**	1,242,418

CIMB Investment Bank Berhad
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Summary of Significant Accounting Policies for the financial year ended 31 December 2015

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

A Basis of preparation

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

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

The Financial Statements incorporate those activities relating to Islamic banking ("SPI") which have been undertaken by the Bank. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities in compliance with Shariah Principles.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 45.

A Basis of preparation (Continued)

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

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

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

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

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

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

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

- Amendment to MFRS 11 "Joint Arrangements" requires an investor to apply the principles of MFRS 3 "Business Combination" when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control

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

A Basis of preparation (Continued)

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

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

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

- Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

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

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

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

A Basis of preparation (Continued)

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

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

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

- Annual improvements to MFRS 2012-2014 Cycle

  - MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
    It states that when an asset (or disposal group) is reclassified from “held for sale” to “held for distributions” or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

  - MFRS 7 Financial Instruments: Disclosure – Servicing contracts
    It includes specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute “continuing involvement” and, therefore, whether the asset qualifies for derecognition.

  - MFRS 7 Financial Instruments: Disclosure – Applicability of the amendments to MFRS 7 to condensed interim financial statements
    It states that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by MFRS 134.

  - MFRS 119 Employee Benefits
    It states that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise

  - MFRS 134 Interim Financial Reporting
    It clarifies what is meant by the reference in the standard to “information disclosure elsewhere in the interim financial reporting” and adds a requirement to cross-reference from the interim financial statements to the location of that information.

A Basis of preparation (Continued)

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

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

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

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

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

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

A Basis of preparation (Continued)

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

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

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

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

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

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

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

A Basis of preparation (Continued)

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

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

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

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

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

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

- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective date is to be determined by the Board) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

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

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

B Economic entities in the Group

(a) Subsidiaries

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

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

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

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

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

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

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

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

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

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

(b) Disposal of subsidiaries

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

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

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

B Economic entities in the Group (Continued)

(c) 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.

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.

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

B Economic entities in the Group (Continued)

(c) Associates (Continued)

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 recognized 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 in investment in associate are recognised in the statement of income.

(d) Interests in subsidiaries and associates

In the Bank's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, 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 Bank does not expect repayment in the foreseeable future are considered as part of the Bank's investments in the subsidiaries.

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

C Recognition of interest/profit income and interest/profit expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statement of income using the effective interest 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 on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

D Recognition of fees and other income

Fees and commissions are recognised as income when all conditions precedent are fulfilled.

Portfolio management fees and income from asset management and securities services which are material are recognised as income based on a time apportionment method.

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

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

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

E Financial assets

(a) Classification

The Group and the Bank 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 Bank as fair value through profit or loss upon initial recognition.

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

(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, 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 Bank's management have the positive intent and ability to hold to maturity. If the Group or the Bank 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.

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

E Financial assets (Continued)

(a) Classification (Continued)

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

(c) Subsequent measurement

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

E Financial assets (Continued)

(c) Subsequent measurement (Continued)

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.

(d) Reclassification of financial assets

The Group and the Bank may choose to reclassify a non-derivative trading financial assets 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 Bank 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 Bank have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities becomes 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.

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

E Financial assets (Continued)

(d) Reclassification of financial assets (Continued)

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 in accordance with E(c).

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

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.

F Financial liabilities (Continued)

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

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

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

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, sundry creditors, subordinated loans and amount due to related companies.

G Derecognition of financial assets and financial liabilities

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

Collateral furnished by the Group under standard repurchase agreements transactions is not derecognised because the Group retains 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 legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

I Impairment of financial assets

(a) Assets carried at amortised cost

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective 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 investments held-to-maturity have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 Bank to reduce any differences between loss estimates and actual loss experience.

I Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

When a financial asset is uncollectible, it is written off against the related allowance for impairment losses. Such financial assets 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.

(b) Assets classified as available-for-sale

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

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

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

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

J Sale and repurchase agreements

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

Freehold land and capital work-in-progress is 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:

Leasehold land	50 years or over the remaining period of the lease, whichever is shorter
Building on leasehold land	50 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fittings:	
- office equipment	5 years
- furniture and fixtures	5 years
Renovations to rented premises	5 years or over the period of the tenancy, whichever is shorter
Computer equipment and software	3 - 5 years
Motor vehicles	5 years

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

K Property, plant and equipment (Continued)

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 Bank.

Investment properties of the Bank are stated at cost less accumulated depreciation and accumulated impairment loss. The leasehold land is not depreciated. The buildings on leasehold land are depreciated on a straight line bases over their estimated useful lives of 50 years.

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 statements 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 Goodwill

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

Goodwill is 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.

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

M Goodwill (Continued)

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 are included in investments in associates. Such goodwill is tested for impairment as part of the overall balance.

N Assets purchased under lease

(a) Finance lease

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

Leases which do not meet such criteria are classified as operating 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 statement of income on a straight-line basis over the period of the lease

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

O Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

P 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 Group's and the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as 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.

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

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

Q 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 and associates 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 fair value re-measurement of financial investments available-for-sale, 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 the 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.

R 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 are recognised as a liability when the shareholders' right to receive the dividend is established.

S Employee benefits

(a) Short term employee benefits

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

Wages, salaries, paid annual leave 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 Bank.

(b) Post employment benefits

The Group and the Bank have a defined contribution plan for its employees.

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

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

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

S Employee benefits (Continued)

(c) 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 Bank'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.

(d) Share-based compensation benefits

Employee Ownership Plan ("EOP")

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

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

T Impairment of non-financial assets

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

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

U Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

V 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 Bank's liabilities under such guarantees are measured at the higher of the amount determined in accordance with MFRS 137 – "Provision, Contingent Liabilities and Contingent Assets", and the amount initially recognised less, when appropriate, accumulative amortisation recognised in accordance with MFRS 118 – "Revenue". These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the 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.

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

W Cash and cash equivalents

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

X 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.

Y Contingent assets and contingent liabilities

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

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; 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.

Z Trust activities

The Group acts as trustees and in other fiduciary capacities 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.

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

1 General information

The principal activities of the Bank are investment banking and the provision of related financial services. The principal activities of its subsidiaries as set out in Note 11 to the Financial Statements, consist of futures broking and the provision of nominees services. There was no significant change in the nature of these activities during the financial year.

The immediate holding company is CIMB Group Sdn Bhd ("CIMBG") and the Directors regard CIMB Group Holdings Berhad ("CIMB Group"), a company listed on the Main Board of the Bursa Malaysia Securities Berhad, as the Bank's ultimate holding company. Both companies are incorporated in Malaysia.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia.

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

2 Cash and short term funds

	The Group		**The Bank**	
	31 December 2015 RM'000	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000
Cash and balances with banks and other financial institutions	**57,910**	44,442	**56,538**	43,678
Money at call and deposit placements maturing within one month	**1,125,908**	1,260,593	**1,092,133**	1,231,116
	1,183,818	1,305,035	**1,148,671**	1,274,794

Included in cash and short term funds of the Group and the Bank are accounts maintained in trust for remisiers amounting to RM28,396,000 (31 December 2014: RM32,376,000) for the Group and the Bank respectively.

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

3 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000
Licensed banks	**273,710**	50,637	**273,680**	50,607

4 Financial assets held for trading

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Quoted securities:		
In Malaysia		
Shares	**1,124**	46
Outside Malaysia		
Shares	**38**	41
Unquoted securities:		
In Malaysia		
Private debt securities	**1,750**	4,568
	2,912	4,655

5 Derivative financial instruments

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

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

		Fair values	
The Group and the Bank	**Principal amount**	**Assets**	**Liabilities**
At 31 December 2015	**RM'000**	**RM'000**	**RM'000**
Trading derivatives			
Foreign exchange derivatives			
Currency forward	**17,172**	**-**	**(44)**
Interest rate derivatives			
Interest rate swaps	**144,800**	**9,323**	**-**
Equity derivatives			
Equity options	**311,624**	**-**	**-**
Credit related derivatives			
Total return swap	**289,600**	**7,618**	**(8,331)**
Total derivative assets/(liabilities)	**763,196**	**16,941**	**(8,375)**
At 31 December 2014			
Trading derivatives			
Interest rate derivatives			
Interest rate swaps	152,200	12,339	-
Equity derivatives			
Equity options	267,395	-	-
Credit related derivatives			
Total return swap	304,400	9,548	(10,626)
Total derivative assets/(liabilities)	723,995	21,887	(10,626)

6 Financial investments available-for-sale

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000
Unquoted securities:				
Outside Malaysia				
Shares	**7,768**	7,795	**7,076**	7,076
Allowance for impairment losses:				
Unquoted shares outside Malaysia	**(6,331)**	(6,331)	**(6,331)**	(6,331)
	1,437	1,464	**745**	745

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

	The Group		The Bank	
	2015 RM'000	2014 RM'000	**2015 RM'000**	2014 RM'000
At 1 January	**6,331**	7,448	**6,331**	6,331
Redemption of securities	**-**	(1,117)	**-**	-
At 31 December	**6,331**	6,331	**6,331**	6,331

7 Loans, advances and financing

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
(i) By type		
Staff loans *	**195,024**	181,910
Other loans	**1,228**	1,272
Gross loans, advances and financing	**196,252**	183,182
Less: allowance for impairment losses		
- Individual impairment allowance	**(1,228)**	(1,272)
- Portfolio impairment allowance	**(159)**	(2,729)
Total net loans, advances and financing	**194,865**	179,181

All loans, advances and financing are measured at amortised cost using the effective interest method.

* Included in staff loans of the Group and the Bank are loans to directors amounting to RM425,176 (31 December 2014: RM 596,774).

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

7 Loans, advances and financing (Continued)

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
(ii) By type of customers		
Individuals	**196,252**	183,182
(iii) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loan	**30,319**	39,395
Variable rate		
- Other variable rates	**165,933**	143,787
	196,252	183,182
(iv) By economic purpose:		
Personal use	**2,133**	1,919
Purchase of residential property (housing)	**184,808**	168,134
Purchase of securities	**1**	1
Purchase of transport vehicles	**9,310**	13,128
	196,252	183,182
(v) By geographical distribution		
Malaysia	**196,252**	183,182
(vi) By residual contractual maturity		
Within one year	**276**	270
One year to less than three years	**2,427**	3,511
Three years to less than five years	**5,207**	6,149
Five years and above	**188,342**	173,252
	196,252	183,182
(vii) Impaired loans, advances and financing by economic purpose		
Purchase of residential property (housing)	**969**	1,114
Purchase of transport vehicles	**259**	158
Gross impaired loans, advances and financing	**1,228**	1,272
(viii) Impaired loans, advances and financing by geographical distribution		
Malaysia	**1,228**	1,272

7 Loans, advances and financing (Continued)

	The Group and the Bank	
	2015	2014
	RM'000	RM'000
(ix) Movements in the impaired loans, advances and financing are as follows:		
At 1 January	**1,272**	883
Impaired during the financial year	**1,115**	818
Amounts written back in respect of recoveries	**(1,159)**	(429)
At 31 December	**1,228**	1,272
Ratio of gross impaired loans to total loans, advances and financing	**0.6%**	0.7%
(x) Movements in the allowance for impaired loans are as follows:		
Individual impairment allowance		
At 1 January	**1,272**	883
Allowance made during the financial year	**1,115**	818
Amounts written back during the financial year	**(1,159)**	(429)
At 31 December	**1,228**	1,272
Portfolio impairment allowance		
At 1 January	**2,729**	1,996
Net (amount written back)/allowance made during the financial year	**(2,570)**	733
At 31 December	**159**	2,729
Portfolio impairment allowance (inclusive of regulatory reserve in 2015) as % of gross loans, advances and financing less individual impairment allowance	**1.2%**	1.5%

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

8 Other assets

		The Group		The Bank	
		31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Due from brokers and clients, net of allowance for impairment loss	(a)	**733,525**	816,517	**731,974**	814,884
Collateral pledged for derivative transactions		**145,603**	153,003	**145,603**	153,003
Other debtors, deposits and prepayments, net of allowance for doubtful debts	(b)	**92,206**	175,835	**91,213**	174,831
		971,334	1,145,355	**968,790**	1,142,718

(a) The movement of allowances for impairment losses on amount due from brokers and clients is as follows:-

	The Group		The Bank	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**7,946**	6,884	**7,846**	6,758
Net (amount written back)/allowance made during the financial year	**(276)**	1,121	**(276)**	1,095
Bad debts recovered	**(100)**	(59)	**-**	(7)
At 31 December	**7,570**	7,946	**7,570**	7,846

Allowance for impairment losses on amount due from brokers and clients are all of portfolio impairment allowances.

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

8 Other assets (Continued)

(b) The movement of allowances for doubtful debts on other debtors is as follows:

	The Group and the Bank		
	Individual impairment allowance	**Portfolio impairment allowance**	**Total**
	RM'000	**RM'000**	**RM'000**
At 1 January 2015	**19,041**	**834**	**19,875**
Net amount written back during the financial year	**(1,702)**	**(115)**	**(1,817)**
At 31 December 2015	**17,339**	**719**	**18,058**

	The Group and the Bank		
	Individual impairment allowance	Portfolio impairment allowance	Total
	RM'000	RM'000	RM'000
At 1 January 2014	16,259	3,464	19,723
Net allowance made/(amount written back) during the financial year	2,782	(2,630)	152
At 31 December 2014	19,041	834	19,875

9 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 statement of financial position, after offsetting:

	The Group		**The Bank**	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax asset (net)	**15,278**	46,428	**15,155**	46,296

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

9 Deferred taxation (Continued)

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

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000
Deferred tax assets (before offsetting)				
Portfolio impairment allowance	**38**	682	**38**	682
Provision for expenses	**12,448**	39,677	**12,433**	39,677
Post employment benefit obligations	**2,900**	8,971	**2,900**	8,971
Other temporary differences	**1,240**	760	**1,120**	618
	16,626	50,090	**16,491**	49,948
Offsetting	**(1,348)**	(3,662)	**(1,336)**	(3,652)
Deferred tax assets (after offsetting)	**15,278**	46,428	**15,155**	46,296
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(1,348)**	(3,662)	**(1,336)**	(3,652)
Offsetting	**1,348**	3,662	**1,336**	3,652
Deferred tax liabilities (after offsetting)	**-**	-	**-**	-

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

9 Deferred taxation (Continued)

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

The Group	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)							
At 1 January 2015		**682**	**(3,662)**	**760**	**39,677**	**8,971**	**46,428**
(Charged)/credited to statements of income	**34**	**(644)**	**(369)**	**502**	**2,267**	**(1,535)**	**221**
Over/(under) accrual in prior year		**-**	**2,683**	**(22)**	**(24,902)**	**-**	**(22,241)**
Transferred to related company		**-**	**-**	**-**	**(4,594)**	**(4,536)**	**(9,130)**
At 31 December 2015		**38**	**(1,348)**	**1,240**	**12,448**	**2,900**	**15,278**

The Group	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)							
At 1 January 2014		499	(4,763)	1,119	44,587	7,472	48,914
Credited/(charged) to statements of income	**34**	183	1,101	(359)	(4,910)	1,499	(2,486)
At 31 December 2014		682	(3,662)	760	39,677	8,971	46,428

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

9 Deferred taxation (Continued)

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

The Bank	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)							
At 1 January 2015		**682**	**(3,652)**	**618**	**39,677**	**8,971**	**46,296**
(Charged)/credited to statements of income	**34**	**(644)**	**(369)**	**502**	**2,278**	**(1,535)**	**232**
Over/(under) accrual in prior year		**-**	**2,685**	**-**	**(24,928)**	**-**	**(22,243)**
Transferred to related company		**-**	**-**	**-**	**(4,594)**	**(4,536)**	**(9,130)**
At 31 December 2015		**38**	**(1,336)**	**1,120**	**12,433**	**2,900**	**15,155**

The Bank	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Post employment benefit obligations RM'000	Total RM'000
Deferred tax assets/(liabilities)							
At 1 January 2014		499	(4,753)	949	44,587	7,472	48,754
Credited/(charged) to statements of income	**34**	183	1,101	(331)	(4,910)	1,499	(2,458)
At 31 December 2014		682	(3,652)	618	39,677	8,971	46,296

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

10 Statutory deposits with Bank Negara Malaysia

The non-interest 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.

11 Investment in subsidiaries

	The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Unquoted shares, at cost	**9,050**	9,050

The subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows:

		Percentage of equity held directly by the Bank	
Name of subsidiaries	**Principal activities**	**31 December 2015 %**	31 December 2014 %
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

12 Investment in associates

	The Group	
	2015	2014
	RM'000	RM'000
At 1 January	**5,835**	6,386
Share of profit for the financial year	**899**	1,069
Dividend paid	**-**	(1,620)
At 31 December	**6,734**	5,835

	The Bank	
	31 December 2015	31 December 2014
	RM'000	RM'000
Unquoted shares	**-**	-

(a) Information about associates :

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

The associates held through CIMB Holdings Sdn Bhd are:

		Percentage of equity held through the Bank's subsidiary company	
Name of associates	**Principal activities**	**31 December 2015**	31 December 2014
		%	%
CIMB Islamic Trustee Berhad	Trustee services	**20**	20
CIMB Commerce Trustee Berhad	Trustee services	**20**	20

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

12 Investment in associates (Continued)

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

	CIMB Islamic Trustee Berhad As at 31 December	
	2015	2014
	RM'000	RM'000
Non-current assets	**423**	428
Current assets	**6,668**	5,942
Current liabilities	**(1,692)**	(1,427)
Net assets	**5,399**	4,943

	Year ended 31 December	
	2015	2014
	RM'000	RM'000
Income	**3,625**	3,447
Expenses	**(2,580)**	(2,193)
Profit before taxation	**1,045**	1,254
Taxation	**(589)**	(341)
Profit for the financial year	**456**	913

	CIMB Commerce Trustee Berhad As at 31 December	
	2015	2014
	RM'000	RM'000
Non-current assets	**776**	235
Current assets	**16,922**	12,815
Current liabilities	**(3,443)**	(2,832)
Net assets	**14,255**	10,218

	Year ended 31 December	
	2015	2014
	RM'000	RM'000
Income	**10,336**	10,225
Expenses	**(5,219)**	(4,329)
Profit before taxation	**5,117**	5,896
Taxation	**(1,080)**	(1,464)
Profit for the financial year	**4,037**	4,432

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

12 Investment in associates (Continued)

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

	CIMB Islamic Trustee Berhad		**CIMB Commerce Trustee Berhad**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Net assets						
As at 1 January	**4,943**	6,530	**10,218**	11,386	**15,161**	17,916
Profit for the financial year	**456**	913	**4,037**	4,432	**4,493**	5,345
Dividends paid	**-**	(2,500)	**-**	(5,600)	**-**	(8,100)
As at 31 December	**5,399**	4,943	**14,255**	10,218	**19,654**	15,161
Interest in associates (%)	**20**	20	**20**	20	**20**	20
Interest in associates (RM '000)	**1,080**	989	**2,851**	2,043	**3,931**	3,032
Goodwill (RM '000)	**2,803**	2,803	**-**	-	**2,803**	2,803
Carrying value (RM '000)	**3,883**	3,792	**2,851**	2,043	**6,734**	5,835

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

13 Property, plant and equipment

The Group	Leasehold land - 50 years or more RM'000	Building on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2015	**18,609**	**7,135**	**11,862**	**60,428**	**24,864**	**61,722**	**184,620**
Additions	**-**	**-**	**648**	**6,370**	**212**	**1,248**	**8,478**
Disposals/written off	**-**	**-**	**(738)**	**(536)**	**(5,545)**	**(542)**	**(7,361)**
Reclass to Investment property	**(18,609)**	**(7,135)**	**-**	**-**	**-**	**-**	**(25,744)**
At 31 December 2015	**-**	**-**	**11,772**	**66,262**	**19,531**	**62,428**	**159,993**
Accumulated depreciation							
At 1 January 2015	**4,590**	**1,760**	**10,462**	**35,430**	**10,629**	**14,235**	**77,106**
Charge for the financial year	**-**	**-**	**1,393**	**5,391**	**4,065**	**5,220**	**16,069**
Disposals/written off	**-**	**-**	**(730)**	**(452)**	**(4,647)**	**(434)**	**(6,263)**
Reclass to Investment property	**(4,590)**	**(1,760)**	**-**	**-**	**-**	**-**	**(6,350)**
At 31 December 2015	**-**	**-**	**11,125**	**40,369**	**10,047**	**19,021**	**80,562**
Net book value as at 31 December 2015	**-**	**-**	**647**	**25,893**	**9,484**	**43,407**	**79,431**
Cost							
At 1 January 2014	18,609	7,135	19,303	85,056	82,366	103,316	315,785
Additions	-	-	601	5,540	6,385	3,215	15,741
Disposals/written off	-	-	(8,042)	(30,168)	(63,887)	(44,809)	(146,906)
At 31 December 2014	18,609	7,135	11,862	60,428	24,864	61,722	184,620
Accumulated depreciation							
At 1 January 2014	4,218	1,617	16,863	45,231	31,905	16,836	116,670
Charge for the financial year	372	143	1,114	7,896	10,333	6,425	26,283
Disposals/written off	-	-	(7,515)	(17,697)	(31,609)	(9,026)	(65,847)
At 31 December 2014	4,590	1,760	10,462	35,430	10,629	14,235	77,106
Net book value as at 31 December 2014	14,019	5,375	1,400	24,998	14,235	47,487	107,514

*Computer software is mostly integral to the systems of the Bank and the Group and accordingly has not been reclassified as intangibles under MFRS 138: Intangible Assets.

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

13 Property, plant and equipment (Continued)

The Bank	Leasehold land - 50 years or more RM'000	Bulding on leasehold land- 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2015	**18,609**	**7,135**	**11,624**	**60,167**	**24,554**	**61,474**	**183,563**
Additions	**-**	**-**	**648**	**6,359**	**213**	**1,248**	**8,468**
Disposals/written off	**-**	**-**	**(736)**	**(536)**	**(5,543)**	**(541)**	**(7,356)**
Reclass to Investment property	**(18,609)**	**(7,135)**	**-**	**-**	**-**	**-**	**(25,744)**
At 31 December 2015	**-**	**-**	**11,536**	**65,990**	**19,224**	**62,181**	**158,931**
Accumulated depreciation							
At 1 January 2015	**4,590**	**1,760**	**10,238**	**35,194**	**9,306**	**14,181**	**75,269**
Charge for the financial year	**-**	**-**	**1,391**	**5,398**	**4,024**	**5,157**	**15,970**
Disposals/written off	**-**	**-**	**(732)**	**(449)**	**(4,650)**	**(431)**	**(6,262)**
Reclass to Investment property	**(4,590)**	**(1,760)**	**-**	**-**	**-**	**-**	**(6,350)**
At 31 December 2015	**-**	**-**	**10,897**	**40,143**	**8,680**	**18,907**	**78,627**
Net book value as at 31 December 2015	**-**	**-**	**639**	**25,847**	**10,544**	**43,274**	**80,304**
Cost							
At 1 January 2014	18,609	7,135	19,075	84,802	82,056	103,068	314,745
Additions	-	-	591	5,533	6,385	3,215	15,724
Disposals/written off	-	-	(8,042)	(30,168)	(63,887)	(44,809)	(146,906)
At 31 December 2014	18,609	7,135	11,624	60,167	24,554	61,474	183,563
Accumulated depreciation							
At 1 January 2014	4,218	1,617	16,639	45,025	30,629	16,835	114,963
Charge for the financial year	372	143	1,114	7,866	10,286	6,372	26,153
Disposals/written off	-	-	(7,515)	(17,697)	(31,609)	(9,026)	(65,847)
At 31 December 2014	4,590	1,760	10,238	35,194	9,306	14,181	75,269
Net book value as at 31 December 2014	14,019	5,375	1,386	24,973	15,248	47,293	108,294

*Computer software is mostly integral to the systems of the Bank and the Group and accordingly has not been reclassified as intangibles under MFRS 138: Intangible Assets.

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

14 Investment Property

	Leasehold land - 50 years or more RM'000	Building on leasehold land- 50 years or more RM'000	Total RM'000
The Group and the Bank			
Cost			
At 1 January	-	-	-
Reclass from property, plant and equipment	18,609	7,135	25,744
At 31 December 2015	18,609	7,135	25,744
Accumulated depreciation			
At 1 January	-	-	-
Reclass from property, plant and equipment	4,590	1,760	6,350
Charge for the financial year	372	143	515
At 31 December 2015	4,962	1,903	6,865
Net book value as at 31 December 2015	13,647	5,232	18,879
The Group and the Bank			
Cost			
At 1 January / 31 December 2014	-	-	-
Accumulated depreciation			
At 1 January / 31 December 2014	-	-	-
Net book value as at 31 December 2014	-	-	-

The investment property are valued annually at fair value based on market value determined by independent qualified valuer. The fair value is within level 2 of the fair value hierarchy. The fair value has 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.

The fair value as at 31 December 2015 is RM44,000,000.

The following amounts have been reflected in the statements of income :

	The Group and the Bank 2015 RM'000	2014 RM'000
Rental income	3,435	-
Operating expenses arising from investment properties that generated the rental income	1,462	-

15 Goodwill

	The Group	
	2015	2014
	RM'000	RM'000
At 1 January/31 December	**964**	964

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating-unit ("CGU"). This CGU does not carry any intangible asset with indefinite useful life.

	The Group	
	31 December	31 December
	2015	2014
CGU	**RM'000**	RM'000
Stock-broking	**964**	964

Impairment test for goodwill

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2016 financial budgets approved by the Board of Directors, projected for five years based on the average 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 2.0% (31 December 2014: 2.0%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate used in determining the recoverable amount of the CGU is 10.0% (31 December 2014: 10.2%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

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

Impairment charge

There is no impairment charge for the financial year ended 31 December 2015 (31 December 2014: RM Nil).

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

16 Deposits from customers

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
(i) By type of deposits		
-Structured deposits	**144,800**	152,200
-Short term money market deposits	**55,313**	194,361
	200,113	346,561

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
(ii) By type of customers		
- Local government and statutory bodies	**54,400**	54,400
- Business enterprises	**62,413**	201,461
- Individuals	**79,550**	86,950
- Others	**3,750**	3,750
	200,113	346,561

17 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Licensed banks	**796,819**	676,865
Other financial institutions	**321,197**	456,764
	1,118,016	1,133,629

The maturity structure of deposits is as follows:

Due within six months	**1,118,016**	1,133,629

18 Other liabilities

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000
Due to brokers and clients	**667,580**	778,561	**667,580**	778,561
Others	**145,730**	183,725	**143,480**	181,616
	813,310	962,286	**811,060**	960,177

19 Provision for taxation and Zakat

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000
Taxation	**1**	3,815	**-**	3,783
Zakat	**-**	7	**-**	7
	1	3,822	**-**	3,790

20 Subordinated loan

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000
Subordinated loan	**5,000**	5,000	**-**	-

On 26 January 2012, a subsidiary of the Bank had issued RM10,000,000 in aggregate principal amounts of unsecured subordinated loan ("the Loan") to the Bank's immediate holding company, CIMB Group Sdn Bhd. The debt bears interest at the rate of 5% per annum and had been fully settled on 23 May 2014.

A further drawdown of RM5,000,000, bearing interest rate of 5%, was made on 6 May 2013, and will mature on 16 November 2019.

21 Share capital

	The Group and the Bank	
	2015 RM'000	2014 RM'000
Authorised ordinary shares of RM1 each		
At 1 January/31 December	**500,000**	500,000
Issued and fully paid ordinary shares of RM1 each		
At 1 January/31 December	**100,000**	100,000

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

22 Redeemable preference shares

	The Group and the Bank	
	2015	2014
	RM'000	RM'000
Authorised redeemable preference shares of RM0.01 each		
At 1 January/31 December	**10**	10
Issued and fully paid redeemable preference shares of RM0.01 each		
At 1 January/31 December	**10**	10

On 30 January 2008, the Bank had allotted and issued 1,000,000 Redeemable Preference Shares ("RPS") of RM0.01 each to its ultimate holding company, CIMB Group Holdings Berhad at an issue price of RM0.01 per share.

The main features of the RPS are as follows:

(i) The RPS do not carry any fixed dividends;

(ii) The RPS will rank superior to ordinary shares in the event of winding up or liquidation of the Bank;

(iii) The RPS rank pari passu in all aspects among themselves;

(iv) The RPS carry no right to vote at any general meeting of the ordinary shareholders of the Bank;

(v) The RPS are not convertible to ordinary shares of the Bank; and

(vi) The RPS may only be redeemed subject to BNM's approval at the option of the Bank (but not the holder) at anytime from the issue date.

23 Reserves

(i) Included in the Group's and the Bank's reserves are statutory reserves of RM155,805,000 (31 December 2014: RM155,805,000), maintained in compliance with BNM guidelines. These statutory reserves are not distributable by way of dividends.

(ii) Revaluation reserve – financial investments available-for-sale

Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.

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

23 Reserves (Continued)

(iii) Share-based payment reserve

Share-based payment reserve represents the Group's and the Bank's commitments for Employee Ownership Plan under share-based compensation benefits.

(iv) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.

(v) Capital reserve, which is non-distributable, relates to the retained earnings of CIMB Discount House Berhad and CIMBS Sdn Bhd from 1 January 2006 to 30 June 2006 and 1 January 2006 to 31 December 2006 respectively, which were transferred to the Bank, arising from the business combinations under common control using the predecessor method of accounting in financial year 2006.

(vi) Merger reserve, which is non-distributable, relates to the difference between the cost of the merger between the Bank and the business of CIMB Discount House Berhad and CIMBS Sdn Bhd in 2006 and the value of the net assets and reserves transferred to the Bank and the Group.

24 Interest income

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Loans, advances and financing	**6,080**	4,849	**6,080**	4,849
Money at call and deposits placements with banks and other financial institutions	**29,563**	25,969	**23,645**	22,102
Reverse repurchase agreements	**2,980**	6,260	**2,980**	6,260
Financial assets held for trading	**352**	149	**352**	149
Others	**1,090**	1,085	**1,090**	1,085
	40,065	38,312	**34,147**	34,445
Net amortisation of premium less accretion of discounts	**(14)**	(5)	**(14)**	(5)
	40,051	38,307	**34,133**	34,440

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

25 Interest expense

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Deposits and placements of banks and other financial institutions	**31,224**	32,047	**31,224**	32,047
Deposits from customers	**5,750**	7,600	**5,750**	7,600
Subordinated loans	**274**	448	**-**	-
	37,248	40,095	**36,974**	39,647

26 (Write back of)/ allowance for impairment losses on loans, advances and financing

	The Group and the Bank	
	2015	2014
	RM'000	RM'000
Individual impairment allowance		
- made during the financial year	**1,115**	818
- written back during the financial year	**(1,159)**	(429)
Portfolio impairment allowance		
- (written back)/made during the financial year	**(2,570)**	733
	(2,614)	1,122

27 Fee and commission income

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Commission	**5,103**	8,205	**5,103**	8,205
Portfolio management fees	**6,677**	7,607	**6,677**	7,607
Advisory and arrangement fees	**75,215**	39,326	**75,215**	39,326
Underwriting commissions	**9,733**	5,666	**9,733**	5,666
Placement fees	**20,141**	16,257	**20,141**	16,257
Other fee income	**13,905**	6,666	**13,988**	6,666
	130,774	83,727	**130,857**	83,727

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

28 Dividend income

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Financial assets held for trading	**202**	4	**202**	4
Subsidiaries	**-**	-	**-**	1,700
	202	4	**202**	1,704

29 Net trading income/(loss)

	The Group and the Bank	
	2015	2014
	RM'000	RM'000
Net (loss)/gain arising from trading in financial assets held for trading		
- realised	**(159)**	304
- unrealised	**(96)**	98
Net gain/(loss) arising from trading in derivative financial instruments		
- realised	**9,205**	(143)
- unrealised	**(44)**	-
	8,906	259

30 Net gain from sale of financial investments available-for-sale

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Net gain from sale of financial investments available-for-sale	**-**	44	**-**	-

31 Other non-interest income

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Foreign exchange gain	**7,062**	6,942	**6,892**	6,893
Gain on disposal of property, plant and equipment	**847**	1,568	**847**	1,568
Other non-operating income	**12,539**	4,247	**12,537**	4,247
	20,448	12,757	**20,276**	12,708

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

32 Overheads

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
- Salaries, allowances and bonuses	**148,242**	260,424	**146,842**	258,168
- Pension cost (defined contribution plan)	**17,089**	31,158	**16,890**	30,965
- Management Separation Scheme	**11,208**	-	**11,208**	-
- Training fees	**4,029**	6,954	**4,029**	6,952
- Overtime, meal and transport claims	**592**	1,877	**592**	1,877
- Others	**8,520**	20,683	**8,271**	20,525
	189,680	321,096	**187,832**	318,487
Establishment costs				
- Depreciation of property, plant and equipment	**16,069**	26,283	**15,970**	26,153
- Depreciation of investment property	**515**	-	**515**	-
- Rental	**26,663**	36,926	**25,324**	35,753
- Others	**20,300**	24,020	**20,267**	23,880
	63,547	87,229	**62,076**	85,786
Marketing expenses				
- Advertisement	**5,710**	14,142	**5,661**	14,122
- Entertainment expenses	**7,257**	10,132	**7,128**	10,028
- Others	**1,631**	2,801	**1,631**	2,724
	14,598	27,075	**14,420**	26,874
Administration and general expenses				
- Legal and professional fees	**3,289**	9,913	**2,742**	9,878
- Communication	**2,319**	6,963	**2,312**	6,912
- Printing and stationery	**1,192**	3,109	**1,192**	3,109
- Administrative vehicle, travelling and insurance expenses	**4,912**	10,607	**4,890**	10,583
- Others	**9,379**	12,892	**8,855**	12,764
	21,091	43,484	**19,991**	43,246
Shared services cost				
-Personnel cost	**(30,531)**	(171,227)	**(30,531)**	(171,227)
-Establishment cost	**(5,336)**	(27,560)	**(5,336)**	(27,560)
-Marketing expenses	**(4,190)**	(17,191)	**(4,190)**	(17,191)
-Administration and general expenses	**(228)**	(20,066)	**(228)**	(20,066)
	(40,285)	(236,044)	**(40,285)**	(236,044)
Total overhead expenses	**248,631**	242,840	**244,034**	238,349

32 Overheads (Continued)

The expenditure includes the following statutory disclosures :

	The Group			The Bank	
	2015		2014	**2015**		2014
	RM'000		RM'000	**RM'000**		RM'000
Directors' remuneration (Note 33)	**7,668**	*	9,401	**7,668**	*	9,401
Rental of premises	**19,417**		28,323	**17,103**		28,128
Hire of equipment	**8,930**		8,603	**8,220**		7,625
Auditors' remuneration						
- Statutory audit (PwC Malaysia)	**274**		264	**240**		231
- Half year review	**47**		45	**47**		45
- Non-audit services	**86**		82	**81**		78
Property, plant and equipment written off	**15**		346	**15**		346

* include fees and allowances paid and borne by CIMB Bank Berhad and CIMB Islamic Bank Berhad of RM31,323 and RM7,000 respectively.

Included in the overhead expenses are support costs (including Group CEO's office) amounting to RM40 million (31 December 2014: RM236 million) which were incurred on behalf of CIMB Bank Berhad ("CIMB Bank") and recovered therefrom during the financial year based on certain agreed methods such as Capital-at-Risk, head count, actual costs, revenue and time incurred by the relevant personnel.

33 Directors' remuneration

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

Non-Executive Directors
Dato' Robert Cheim Dau Meng (appointed on 1 July 2015)
Puan Nadzirah binti Abd Rashid
Dato' David Chua Ming Huat (appointed on 13 February 2015)
Mr. Manu Bhaskaran (appointed on 1 June 2015)
Dato' Sri Mohamed Nazir bin Abdul Razak (resigned on 1 July 2015)
Dato' Zainal Abidin bin Putih (resigned on 1 July 2015)
Habibah binti Abdul (resigned on 31 March 2015)

Executive Director
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz (resigned on 20 January 2016)

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

33 Directors' remuneration (Continued)

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

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Executive Director and Group CEO				
- Salary and other remuneration	**6,913**	8,844	**6,913**	8,844
- Benefits-in-kind	**9**	16	**9**	16
Non-executive Directors				
- Fees and other remuneration	**746**	541	**746**	541
	7,668	9,401	**7,668**	9,401

In 2015, the functions and responsibilities of the Chief Executive Officer (CEO) were carried out by Tengku Dato' Sri Zafrul binTengku Abdul Aziz. The salary, other remuneration, bonus (in respect of 2015 payable in 2016) and benefits-in-kind totalling RM6,922,000 (2014: RM8,860,000) for the CEO was paid by the Bank.

Part of the CEO's remuneration together with other support costs incurred on behalf of CIMB Bank were recovered from CIMB Bank based on certain methods which have been agreed by both parties (refer to Note 32).

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

The Group and the Bank

	2015					**2014**			
	Fees	**Salary and/or other remuneration**	**Benefits-in-kind**	**Total**		**Fees**	**Salary and/or other remuneration**	**Benefits-in-kind**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**		**RM'000**	**RM'000**	**RM'000**	**RM'000**
Executive Directors									
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	**-**	**6,913**	**9**	**6,922**		-	8,844	16	8,860
	-	**6,913**	**9**	**6,922**		-	8,844	16	8,860
Non-Executive Directors									
Dato' Robert Cheim Dau Meng	**36**	**110**	**6**	**152**		-	-	-	-
Puan Nadzirah binti Abd Rashid	**64**	**111**	**-**	**175**	*	11	8	-	19
Dato' David Chua Ming Huat	**32**	**28**	**-**	**60**		-	-	-	-
Mr. Manu Bhaskaran	**27**	**36**	**-**	**63**		-	-	-	-
Dato' Sri Mohamed Nazir bin Abdul Razak	**36**	**138**	**18**	**192**		19	46	6	71
Dato' Zainal Abidin bin Putih	**24**	**36**	**-**	**60**		32	64	-	96
Habibah binti Abdul	**15**	**29**	**-**	**44**		35	67	-	102
Dato' Hamzah bin Bakar	**-**	**-**	**-**	**-**		38	150	41	229
Zahardin bin Omardin	**-**	**-**	**-**	**-**		4	20	-	24
	234	**488**	**24**	**746**		139	355	47	541
	234	**7,401**	**33**	**7,668**		139	9,199	63	9,401

* include fees and allowances paid and borne by CIMB Bank Berhad and CIMB Islamic Bank Berhad of RM31,323 and RM7,000 respectively.

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

34 Taxation

(i) Tax expense for the financial year

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Current tax				
- Malaysian income tax	**35,229**	17,595	**33,679**	16,279
- Foreign tax	**247**	-	**247**	-
Deferred tax (Note 9)	**(221)**	2,486	**(232)**	2,458
- Under accrual in prior years	**4,047**	-	**4,047**	-
	39,302	20,081	**37,741**	18,737

(ii) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and profit before taxation is as follows:

	The Group		The Bank	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**110,777**	52,174	**103,733**	49,343
Tax calculated at a tax rate of 25% (2014: 25%)	**27,694**	13,044	**25,933**	12,336
Income not subject to tax	**-**	(914)	**-**	(537)
Effect of changes in tax rates	**427**	-	**631**	-
Expenses not deductible for tax purposes	**6,911**	10,707	**6,907**	9,694
Under provision in prior years	**4,047**	-	**4,047**	-
Foreign witholding tax	**247**	-	**247**	-
Controlled asset transfer	**(24)**	(2,756)	**(24)**	(2,756)
Tax expense	**39,302**	20,081	**37,741**	18,737

35 Earnings per share

(a) Basic earnings per share

Basic earnings per share of the Group and the Bank are calculated by dividing the net profit attributable to owners of the Group and the Bank by the weighted average number of ordinary shares in issue during the financial year.

	The Group		The Bank	
	2015	2014	**2015**	2014
Net profit for the financial year (RM' 000)	**71,475**	32,093	**65,992**	30,606
Weighted average number of ordinary shares in issue ('000)	**100,000**	100,000	**100,000**	100,000
Basic earnings per share (expressed in sen per share	**71.48**	32.09	**65.99**	30.61

(b) Diluted earnings per share

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

36 Dividends

The Directors have proposed a final single tier dividend comprising of RM66 per redeemable preference share, amounting to RM66,000,000 in respect of financial year ended 31 December 2015. The dividend was approved by the Board of Directors in a resolution dated 27 January 2016.

37 Amounts due from/(to) related companies

The amounts due from/(to) related companies are unsecured, interest free and recallable on demand.

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000
Amounts due from:				
- subsidiaries	**-**	-	**80**	12
- related companies	**24,864**	21,939	**24,864**	21,939
- immediate holding company	**6**	-	**6**	-
- ultimate holding company	**106**	-	**106**	-
	24,976	21,939	**25,056**	21,951
Amounts due to:				
- related companies	**(5,161)**	(19,415)	**(5,161)**	(19,415)

38 Significant related party transactions and balances

(a) Related parties and relationship

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

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

Related parties	Relationship
CIMB Group Holdings Berhad ("CIMB Group")	Ultimate holding company
CIMB Group Sdn Bhd ("CIMBG")	Immediate holding company
CIMB Berhad ("CIMBB")	Subsidiary of ultimate holding company
Subsidiaries of CIMB Group and CIMBG as disclosed in their Financial Statements	Subsidiaries of ultimate holding and immediate holding companies
Subsidiaries of the Bank as disclosed in Note 11	Subsidiaries
Touch 'N Go Sdn Bhd	Subsidiary of ultimate holding company
Key management personnel	Refer to below

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

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

38 Significant related party transactions and balances (Continued)

(b) Related party transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on normal commercial rates.

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

The Group and the Bank	Other related companies RM'000	Key management personnel RM'000
2015		
Income:		
Fee income	**14,114**	**-**
Interest income	**1,711**	**-**
Brokerage income	**1,874**	**2**
Rental income	**3,341**	**-**
Income from Islamic Banking operations	**11,660**	**-**
	32,700	**2**
Expenditure:		
Interest expense	**17,209**	**-**
Brokerage expense	**4,173**	**-**
Rental expense	**15,162**	**-**
Printing and Stationery	**43**	**-**
Establishment - others	**397**	**-**
Administration and general expenses - others	**2,593**	**-**
Shared service cost	**(40,285)**	**-**
	(708)	**-**
The Group and the Bank		
2014		
Income:		
Fee income	8,842	-
Interest income	1,667	-
Brokerage income	6,005	38
Rental income	886	-
Income from Islamic Banking operations	10,413	-
	27,813	38
Expenditure:		
Interest expense	17,904	-
Brokerage expense	11,794	-
Printing and Stationery	255	-
Establishment - others	798	-
Administration and general expenses - others	1,352	-
Shared service cost	(236,044)	-
	(203,941)	-

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

38 Significant related party transactions and balances (Continued)

(c) Key management personnel

Key management compensation

	2015 RM'000	2014 RM'000
The Group and the Bank		
Salaries and other employee benefits	**66,561**	59,916
	Unit	Unit
Shares of ultimate holding company	**2,206,299**	4,874,464

(d) Related party balances

Other related party balances, other than those carried out in the ordinary course of banking transactions, represent advances to and from related parties as well as expenses paid on behalf for and by related parties. These balances are unsecured, carry no interest rate and are repayable on demand.

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

The Group and the Bank	**Other related companies RM'000**	**Key management personnel RM'000**
31 December 2015		
Amount due from:		
Cash and balances with banks and other financial institutions	39,317	-
Money at call and deposit placements maturing within one month	210,688	-
Deposits and placements with banks and other financial institutions	273,678	-
Financial assets held for trading	756	-
Loans, advances and financing	-	425
Other assets	6,555	-
Amounts due from brokers	13,019	-
	544,013	425

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

38 Significant related party transactions and balances (Continued)

(d) Related party balances (Continued)

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

The Group and the Bank **31 December 2015**	**Other related companies** **RM'000**	**Key management personnel** **RM'000**
Amount due to:		
Deposits and placements of banks and other financial institutions	**796,819**	**-**
Derivative financial instruments	**44**	**-**
Amounts due to brokers	**42,556**	**-**
	839,419	**-**
Principal		
Foreign exchange derivatives		
Currency forward	**17,172**	**-**
Equity related contracts:		
Equity options	**155,812**	**-**
	172,984	**-**

The Group and the Bank **31 December 2014**	**Other related companies** **RM'000**	**Key management personnel** **RM'000**
Amount due from:		
Cash and balances with banks and other financial institutions	28,852	-
Money at call and deposit placements maturing within one month	291,033	-
Deposits and placements with banks and other financial institutions	50,607	-
Loans, advances and financing	-	597
Other assets	84,199	-
Amounts due from brokers	29,160	-
	483,851	597

The Group and the Bank **31 December 2014**	**Other related companies** **RM'000**	**Key management personnel** **RM'000**
Amount due to:		
Deposits and placements of banks and other financial institutions	676,865	-
Amounts due to brokers	52,713	-
	729,578	-
Principal		
Equity related contracts:		
Equity options	133,697	-

38 Significant related party transactions and balances (Continued)

(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	
	31 December 2015 RM'000	31 December 2014 RM'000
Outstanding credit exposures with connected parties	**27,898**	34,213
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.2%**	1.5%
Percentage of outstanding credit exposures with 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 ultimate holding company, owns 29.7% of the issued capital of the ultimate holding company (2014: 29.3%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 – "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

Apart from the individually significant transactions as disclosed in Note 38 (b) to the Financial Statements, the Group and the Bank have collectively, but not individually entered into, 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 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.

39 Employee benefits

Equity Ownership Plan ("EOP")

The EOP was introduced on 1 April 2011 by CIMB Group where CIMB Group will grant ordinary shares of CIMB Group to selected employees in the Group. Under the EOP, earmarked portions of variable remuneration of selected employees of the Group will be utilised to purchase ordinary shares of CIMB Group 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 related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer dates. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of CIMB Group.

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

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM12,794,000. (2014: RM 38,222,000)

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM5.95 per ordinary share (2014: RM7.15 per ordinary share), based on observable market price.

Movements in the number of the ultimate holding company's ordinary shares awarded are as follows:

	The Group and the Bank	
	2015	**2014**
	Unit	**Unit**
	'000	**'000**
Shares		
At 1 January	**2,376**	2,326
Awarded	**525**	1,305
Released	**(1,599)**	(1,255)
At 31 December	**1,302**	2,376

40 Capital commitments

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

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Authorised and contracted for	**1,934**	5,524
Authorised but not contracted for	**4,291**	16,216
	6,225	21,740
The capital commitments are attributed to:		
- property, plant and equipment	**6,225**	21,740
	6,225	21,740

41 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 and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Not later than one year	**16,964**	28,901
Later than one year and not later than five years	**23,213**	105,115
Over five years	**-**	220,056
	40,177	354,072

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

42 Commitments and contingencies

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

These commitments and contingencies are not secured over the assets of the Group and the Bank.

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

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

	The Group and the Bank	
	31 December 2015	31 December 2014
	Principal	Principal
	RM'000	RM'000
Credit-related		
Obligations under underwriting agreement	**9,406**	-
Irrevocable commitments to extend credit:		
- Maturity exceeding one year	**19,813**	22,949
	29,219	22,949
Treasury-related		
Foreign exchange related contracts:		
- Less than 1 year	**17,172**	-
Interest rate related contracts:		
- Five years and above	**144,800**	152,200
Equity related contracts:		
- One year to less than five years	**311,624**	267,395
Credit related contracts:		
- Five years and above	**289,600**	304,400
	763,196	723,995
	792,415	746,944

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

43 Segment reporting

Business 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.

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

Definition of segments

For management purposes, the Group is divided into five major business lines - Financial advisory, underwriting and other fees, Debt financing related, Equity related, Investments and securities services and Support and others. The business lines are the basis on which the Group reports its segment information.

Financial advisory, underwriting and other fees mainly comprise fees derived from structured financial solutions, origination of capital market products, mergers and acquisitions, secondary offerings, asset backed securities, debt restructurings, corporate advisory, Islamic capital market products and project advisory. In addition, this segment also includes underwriting of primary equities and debt products.

Debt/financing related mainly comprises proprietary trading and market making, debt related derivatives and structured products. It also invests in proprietary capital.

Equity related mainly comprises institutional and retail broking business for securities listed on the Exchange. It also includes income from trading and investing in domestic and regional equities market.

Investments and securities services mainly comprise annuity income derived from fund management, unit trust, agency and securities services.

Support and others mainly comprise all middle and back-office processes and other related services which are non-core operations.

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

43 Segment reporting (Continued)

The following table presents an analysis of the Group's results and statements of financial position by business segments:

The Group	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
2015						
External net interest (expense)/income	-	(3,277)	-	-	6,080	2,803
Non interest income	106,171	13,628	131,863	42,238	5,606	299,506
Income from Islamic Banking operations	10,679	33,413	4,187	4,165	272	52,716
	116,850	43,764	136,050	46,403	11,958	355,025
Overheads	(71,232)	(7,013)	(111,624)	(58,762)	-	(248,631)
of which :						
Depreciation of property, plant and equipment	*(3,552)*	*(296)*	*(8,769)*	*(3,452)*	-	*(16,069)*
Depreciation of investment property	-	-	-	*(515)*	-	*(515)*
Profit/(loss) before allowances	45,618	36,751	24,426	(12,359)	11,958	106,394
Writeback of impairment losses on loans, advances and financing	-	-	-	-	2,614	2,614
Writeback of/(allowance for) impairment losses on other receivables	160	(812)	1,449	142	(69)	870
Segment results	45,778	35,939	25,875	(12,217)	14,503	109,878
Share of results of associates						899
Profit before taxation						110,777
Taxation						(39,302)
Net profit for the financial year						71,475
Segment assets	38,407	1,558,142	881,216	42,619	228,707	2,749,091
Unallocated assets						55,653
Total assets						2,804,744
Segment liabilities	3,064	1,330,950	727,971	8,394	74,410	2,144,789
Unallocated liabilities						5,187
Total liabilities						2,149,976
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	1,844	153	4,509	1,972	-	8,478
Amortisation of premium less accretion of discount	-	(14)	-	-	-	(14)

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

43 Segment reporting (Continued)

The following table presents an analysis of the Group's results and statements of financial position by business segments: (Continued)

The Group	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
2014						
External net interest (expense)/income	-	(6,637)	-	-	4,849	(1,788)
Non interest income	42,685	4,809	170,165	42,122	3,634	263,415
Income from Islamic Banking operations	3,656	17,856	8,528	47	147	30,234
	46,341	16,028	178,693	42,169	8,630	291,861
Overheads	(49,048)	(15,418)	(123,432)	(54,942)	-	(242,840)
of which :						
Depreciation of property, plant and equipment	*(3,294)*	*(3,755)*	*(10,876)*	*(8,358)*	*-*	*(26,283)*
Profit/(loss) before allowances	(2,707)	610	55,261	(12,773)	8,630	49,021
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(1,122)	(1,122)
(Allowance for)/writeback of impairment losses on other receivables	(1,080)	(667)	(4,999)	9,656	(508)	2,402
Recoveries from investment management and securities services	-	-	-	804	-	804
Segment results	(3,787)	(57)	50,262	(2,313)	7,000	51,105
Share of results of associates						1,069
Profit before taxation						52,174
Taxation						(20,081)
Net profit for the financial year						32,093
Segment assets	23,507	1,675,573	956,660	41,220	321,204	3,018,164
Unallocated assets						70,341
Total assets						3,088,505
Segment liabilities	786	1,498,311	849,606	3,050	106,345	2,458,098
Unallocated liabilities						23,241
Total liabilities						2,481,339
Other segment items						
Incurred capital expenditure:						
- addition of property, plant and equipment	1,982	2,259	6,483	5,017	-	15,741
Amortisation of premium less accretion of discount	-	(5)	-	-	-	(5)

The Group's activities are predominantly carried out in Malaysia, with the Malaysian market contributing approximately 100% of the gross operating income and the total segment assets in Malaysia approximately 100% of total assets of the Group. Accordingly, no information on the Group's operations by geographical segments has been provided.

44 Capital adequacy

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

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

The components of eligible regulatory capital are based on the Capital Adequacy Framework (Capital Components). The risk-weighted assets of the Group and Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach.

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

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

	The Group		The Bank	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Common Equity Tier 1 ratio	**29.747%**	28.765%	**31.560%**	29.452%
Tier 1 ratio	**29.747%**	28.765%	**31.560%**	29.452%
Total capital ratio	**29.747%**	28.765%	**31.560%**	29.452%

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

	The Group		The Bank	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
	RM'000	RM'000	**RM'000**	RM'000
Credit risk	**1,166,117**	1,164,171	**981,769**	1,049,461
Market risk	**86,545**	52,221	**85,296**	51,509
Operational risk	**631,580**	697,657	**615,721**	684,202
Total risk-weighted assets	**1,884,242**	1,914,049	**1,682,786**	1,785,172

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

44 Capital adequacy (Continued)

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

	The Group		The Bank		
	31 December 2015 RM'000	31 December 2014 RM'000	**31 December 2015 RM'000**	31 December 2014 RM'000	
Common Equity Tier 1 capital					
Ordinary shares	**100,000**	100,000	**100,000**	100,000	
Other reserves	**554,758**	507,156	**525,727**	483,581	
Less : Proposed dividends	**(66,000)**	-	**(66,000)**	-	
Common Equity Tier 1 capital before regulatory adjustments	**588,758**	607,156	**559,727**	583,581	
Less : Regulatory adjustments					
Goodwill	**(964)**	(964)	**-**	-	
Deferred tax assets	**(15,278)**	(46,428)	**(15,155)**	(46,296)	
Deduction in excess of Tier 2 Capital	**(6,462)**	(7,603)	**(7,407)**	(9,559)	N1
Investments in capital instruments of unconsolidated financial and insurance/ takaful entities	**(3,268)**	(1,460)	**(3,898)**	(1,949)	
Others	**(2,284)**	(118)	**(2,181)**	-	
Common Equity Tier 1 capital after regulatory adjustments/ total Tier 1 capital	**560,502**	550,583	**531,086**	525,777	
Tier II Capital					
Redeemable Preference Shares	**7**	8	**7**	8	
Portfolio impairment allowance	**159**	2,729	**159**	2,729	
Tier II capital before regulatory adjustments	**166**	2,737	**166**	2,737	
Less : Regulatory adjustments					
Investments in capital instruments of unconsolidated financial and insurance/ takaful entities	**(6,628)**	**(10,340)**	**(7,573)**	(12,296)	
Total Tier II capital	**-**	**-**	-	-	N1
Total capital base	**560,502**	550,583	**531,086**	525,777	

N1 The excess of Tier II capital was deducted under Common Equity Tier I capital

45 Critical accounting estimates and judgements in applying accounting policies

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

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

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

(b) Impairment losses on loans, advances and financing

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

(c) Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 46.4.

45 Critical accounting estimates and judgements in applying accounting policies (Continued)

(d) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note M of the Summary of Significant Accounting Policies.

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

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 15 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.

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

46 Financial Risk Management

(a) Financial risk management objectives and policies

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

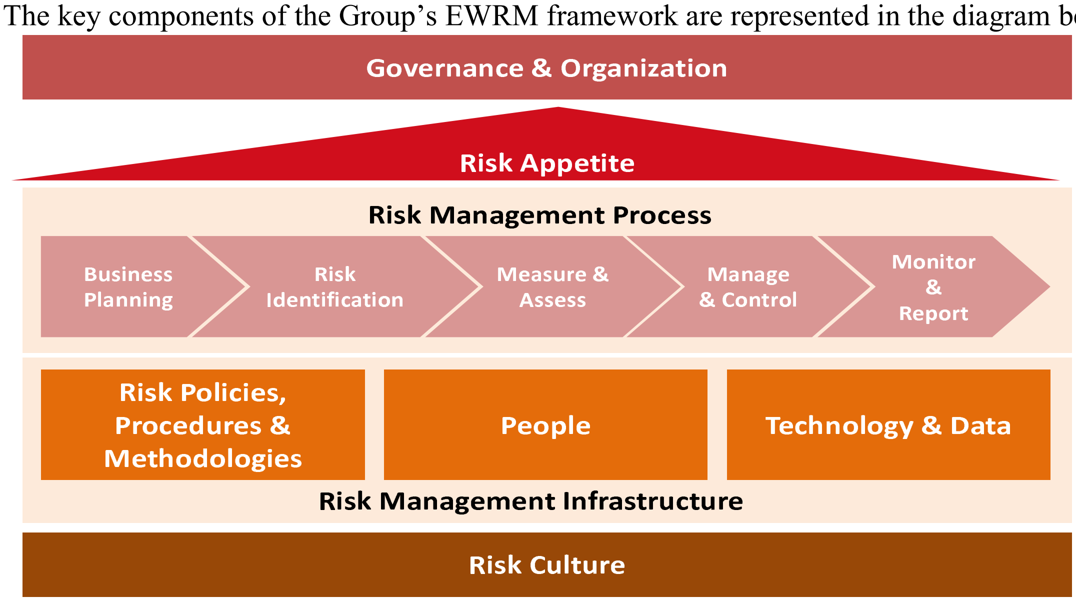
The objectives of the Group's risk management activities are to:

- 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 shareholder value through proper allocation of capital and facilitate development of new business.

(b) Enterprise Wide Risk Management Framework (EWRM)

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

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



46 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.

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

ii) **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.

CIMB Group has a dedicated team that facilitates the risk appetite setting process including reviewing, monitoring and reporting. BRC and GRC receive monthly reports on compliance with the risk appetite.

iii) **Risk Management Process**:

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

46 Financial Risk Management (Continued)

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

iv) Risk Management Infrastructure

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

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

(c) Risk Governance

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

46 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

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

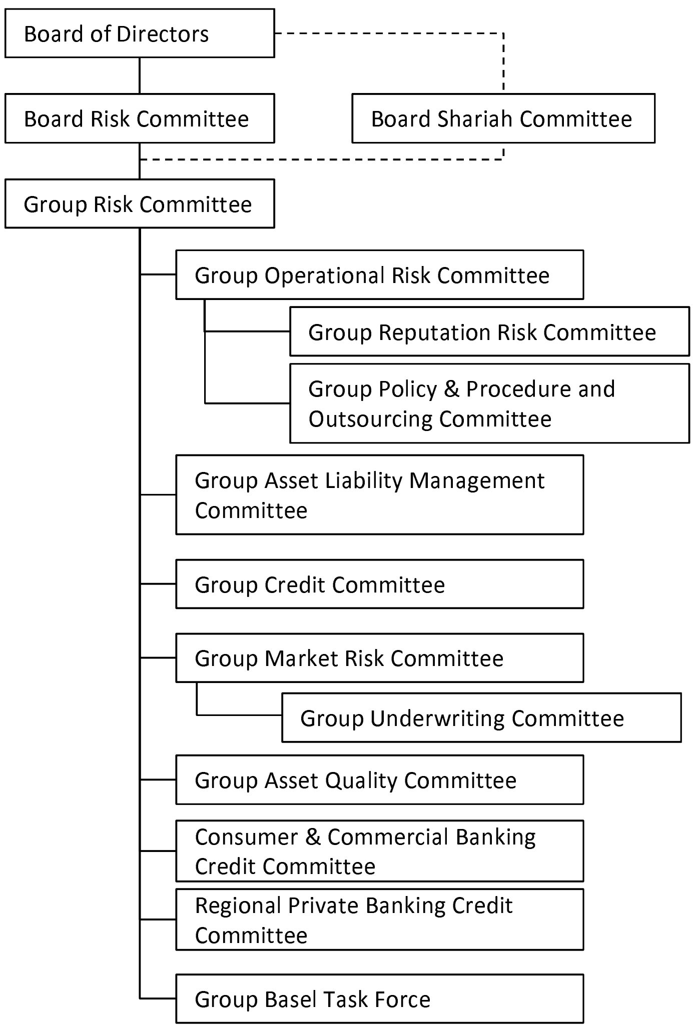
Similar risk committees are set-up in each of the Group's overseas subsidiaries in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group also strives to ensure a consistent and standardised approach in its risk governance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

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

46 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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



46 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

Three-Lines of Defence

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

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

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

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

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

46 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

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

a) Risk Analytics & Infrastructure Centre of Excellence

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

b) Market Risk Centre of Excellence

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

c) Operational Risk Centre of Excellence

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

46 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

d) Asset Liability Management Centre of Excellence

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

e) Credit Risk Centre of Excellence

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

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

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

f) Shariah Risk Management Centre of Excellence

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

46 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

In addition to the above Risk Centres of Excellence, Regional Risk oversees the risk management functions of the regional offices as well as the Group's unit trust and securities businesses and also houses the validation team.

The regional offices and the respective teams in risk management units within the unit trust business and securities businesses identify, measure and assess, manage and control, monitor and report the relevant material risk exposures of each individual country and/or businesses.

The Regional Risk Validation Team is independent from the risk taking units and model development team. The function of this unit is to perform validation, as guided by regulatory guidelines and industry best practices on Basel related risk models and components comprising credit risk, traded risk, non traded risk and other Basel related risk models. The unit provides recommendations to the modelling team and the business users. The findings and recommendations will be reported to Model Risk Management Working Group (MRMWG), thereafter to Group Risk Committee (GRC) and Board Risk Committee (BRC) for approval.

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without any risk management department, all risk management activities will be centralised at relevant Risk Centres of Excellence. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to respective Risk Centres of Excellence.

46 Financial Risk Management (Continued)

Strategies and Processes for Various Risk Management

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk are available in the later sections.

46.1 Credit risk

Credit risk is defined as the possibility of losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

It arises primarily from traditional financing activities through conventional loans, financing facilities, as well as commitments to support customer's obligations to third parties, e.g guarantees. In sales and trading activities, credit risk arises from the possibility that the Group's counterparties will not be able or not willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest/profit rate swaps, are not able or not willing to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms. Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

Credit Risk Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with 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 GRD as a function independent from the business units as the second line of defence. This enhances the collaboration between GRD and the business units.

46 Financial Risk Management (Continued)

46.1 Credit risk (Continued)

Credit Risk Management (continued)

The Framework encompasses the Joint Delegated Authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals. Our Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and GRD, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. Credit applications are independently evaluated by the Credit Risk Centre of Excellence team prior to submission to the relevant committees for approval.

The GRC with the support of Group Credit Committee, Regional Private Banking Credit Committee and GRD is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy review. It is also responsible for articulating key credit risks and mitigating controls.

Approaches or mitigating controls adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual include adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral.

Adherence to established credit limits is monitored daily by GRD, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored monthly by GRD

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

46 Financial Risk Management (Continued)

46.1 Credit risk (Continued)

Credit Risk Management (continued)

Credit reviews and rating are conducted on the credit exposures on at least an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs 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.

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.

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.

46 Financial Risk Management (Continued)

46.1 Credit risk (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 Annex (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 2015, there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.1 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 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.

31 December 2015	**The Group RM'000**	**The Bank RM'000**
Credit related commitments and contingencies	**29,219**	**29,219**

31 December 2014	**The Group RM'000**	**The Bank RM'000**
Credit related commitments and contingencies	22,949	22,949

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements that mitigate credit risk) held for net loans, advances and financing for the Group and the Bank is 100% (2014: 100%). The financial effects of collateral held for the remaining on balance sheet financial assets are insignificant.

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.2 Offsetting financial assets and financial liabilities

(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements – by type

	The Group and the Bank					
				Related amounts not set off in the Statements of Financial Position		
31 December 2015	Gross amounts of recognised financial assets in the Statements of Financial Position RM'000	Gross amounts of recognised financial liabilities set off in the Statements of Financial Position RM'000	Net amounts of financial assets presented in the Statements of Financial Position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
Financial assets						
Derivative financial instruments	**16,941**	**-**	**16,941**	**(9,323)**	**(7,618)**	**-**
Total	**16,941**	**-**	**16,941**	**(9,323)**	**(7,618)**	**-**
31 December 2014						
Financial assets						
Derivative financial instruments	21,887	-	21,887	(12,339)	(9,548)	-
Reverse repurchase agreements	195,890	-	195,890	-	(195,890)	-
Total	217,777	-	217,777	(12,339)	(205,438)	-

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.2 Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements – by type

	The Group and the Bank					
				Related amounts not set off in the Statements of Financial Position		
31 December 2015	**Gross amounts of recognised financial liabilities in the Statements of Financial Position RM'000**	**Gross amounts of recognised financial assets set off in the Statements of Financial Position RM'000**	**Net amounts of financial liabilities presented in the Statements of Financial Position RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net amount RM'000**
Financial liabilities						
Derivative financial instruments	**8,375**	**-**	**8,375**	**(8,113)**	**-**	**262**
Total	**8,375**	**-**	**8,375**	**(8,113)**	**-**	**262**
31 December 2014						
Financial liabilities						
Derivative financial instruments	10,626	-	10,626	(10,626)	-	-
Total	10,626	-	10,626	(10,626)	-	-

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 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 for the Group as at 31 December 2015 and 31 December 2014 are as follows:

	The Group					
31 December 2015	**Malaysia**	**Indonesia**	**Thailand**	**Singapore**	**Other countries**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term funds	**1,170,530**	**-**	**-**	**2,691**	**10,567**	**1,183,788**
Deposits and placements with banks and other financial institutions	**273,710**	**-**	**-**	**-**	**-**	**273,710**
Financial assets held for trading						
- Unquoted securities	**1,750**	**-**	**-**	**-**	**-**	**1,750**
Derivative financial instruments						
-Trading derivatives	**16,941**	**-**	**-**	**-**	**-**	**16,941**
Loans, advances and financing	**194,865**	**-**	**-**	**-**	**-**	**194,865**
Other assets	**846,614**	**493**	**132**	**24,937**	**77,580**	**949,756**
Amounts due from related companies	**24,797**	**36**	**-**	**23**	**120**	**24,976**
Credit related commitments and contingencies	**29,219**	**-**	**-**	**-**	**-**	**29,219**
Total credit exposures	**2,558,426**	**529**	**132**	**27,651**	**88,267**	**2,675,005**

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 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 for the Group as at 31 December 2015 and 31 December 2014 are as follows: (Continued)

	The Group					
31 December 2014	**Malaysia RM'000**	**Indonesia RM'000**	**Thailand RM'000**	**Singapore RM'000**	**Other countries RM'000**	**Total RM'000**
Cash and short term funds	1,293,870	-	-	9,075	2,048	1,304,993
Reverse repurchase agreements	195,890	-	-	-	-	195,890
Deposits and placements with banks and other financial institutions	50,637	-	-	-	-	50,637
Financial assets held for trading						
-Unquoted securities	4,568	-	-	-	-	4,568
Derivative financial instruments						
-Trading derivatives	21,887	-	-	-	-	21,887
Loans, advances and financing	179,181	-	-	-	-	179,181
Other assets	905,685	6,044	2,123	48,263	108,336	1,070,451
Amounts due from related companies	20,530	46	-	213	1,150	21,939
Credit related commitments and contingencies	22,949	-	-	-	-	22,949
Total credit exposures	2,695,197	6,090	2,123	57,551	111,534	2,872,495

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 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 for the Bank as at 31 December 2015 and 31 December 2014 are as follows:

	The Bank					
31 December 2015	**Malaysia**	**Indonesia**	**Thailand**	**Singapore**	**Other countries**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term funds	**1,136,448**	**-**	**-**	**1,627**	**10,567**	**1,148,642**
Deposits and placements with banks and other financial institutions	**273,680**	**-**	**-**	**-**	**-**	**273,680**
Financial assets held for trading						
- Unquoted securities	**1,750**	**-**	**-**	**-**	**-**	**1,750**
Derivative financial instruments						
-Trading derivatives	**16,941**	**-**	**-**	**-**	**-**	**16,941**
Loans, advances and financing	**194,865**	**-**	**-**	**-**	**-**	**194,865**
Other assets	**844,476**	**493**	**132**	**24,544**	**77,580**	**947,225**
Amounts due from related companies	**24,877**	**36**	**-**	**23**	**120**	**25,056**
Credit related commitments and contingencies	**29,219**	**-**	**-**	**-**	**-**	**29,219**
Total credit exposures	**2,522,256**	**529**	**132**	**26,194**	**88,267**	**2,637,378**

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 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 for the Bank as at 31 December 2015 and 31 December 2014 are as follows: (Continued)

	The Bank					
31 December 2014	**Malaysia**	**Indonesia**	**Thailand**	**Singapore**	**Other countries**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term funds	1,264,167	-	-	8,538	2,048	1,274,753
Reverse repurchase agreements	195,890	-	-	-	-	195,890
Deposits and placements with banks and other financial institutions	50,607	-	-	-	-	50,607
Financial assets held for trading						
-Unquoted securities	4,568	-	-	-	-	4,568
Derivatives financial instruments						
-Trading derivatives	21,887	-	-	-	-	21,887
Loans, advances and financing	179,181	-	-	-	-	179,181
Other assets	903,099	6,044	2,123	48,263	108,336	1,067,865
Amounts due from related companies	20,542	46	-	213	1,150	21,951
Credit related commitments and contingencies	22,949	-	-	-	-	22,949
Total credit exposures	2,662,890	6,090	2,123	57,014	111,534	2,839,651

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 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 positions as at 31 December 2015 and 31 December 2014, based on the industry sectors of the counterparty are as follows:

The Group

	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contigencies	Total credit exposures
				Unquoted securities	Trading derivatives				
31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	-	-	-	46	-	46
Mining and quarrying	-	-	-	-	-	-	1	-	1
Manufacturing	-	-	-	-	-	-	1,085	-	1,085
Electricity, gas and water	-	-	-	-	-	-	12,726	-	12,726
Construction	-	-	-	-	-	-	773	9,406	10,179
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	-	-	974	-	974
Transport, storage and communications	-	-	-	-	-	-	3,852	-	3,852
Finance, insurance and business services	301,009	-	273,710	1,750	-	-	830,054	-	1,406,523
Education, health & others	-	-	-	-	-	-	213	-	213
Government and government agencies	882,776	-	-	-	-	-	1,507	-	884,283
Household	-	-	-	-	-	194,865	118,623	19,813	333,301
Others	3	-	-	-	16,941	-	4,878	-	21,822
	1,183,788	-	273,710	1,750	16,941	194,865	974,732	29,219	2,675,005

* Other financial assets include other assets and amounts due from related companies.

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 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 positions as at 31 December 2015 and 31 December 2014, based on the industry sectors of the counterparty are as follows: (Continued)

	The Group								
	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contigencies	Total credit exposures
				Unquoted securities	Trading derivatives				
31 December 2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Electricity, gas and water	-	-	-	-	-	-	621	-	621
Construction	-	-	-	-	-	-	104	-	104
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	-	-	2	-	2
Transport, storage and communications	-	-	-	-	-	-	2,721	-	2,721
Finance, insurance and business services	363,621	-	50,637	4,568	-	-	951,110	-	1,369,936
Education, health & others	-	-	-	-	-	-	1,375	-	1,375
Government and government agencies	941,372	195,890	-	-	-	-	49,337	-	1,186,599
Household	-	-	-	-	-	179,181	83,319	22,949	285,449
Others	-	-	-	-	21,887	-	3,801	-	25,688
	1,304,993	195,890	50,637	4,568	21,887	179,181	1,092,390	22,949	2,872,495

* Other financial assets include other assets and amounts due from related companies.

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 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 positions as at 31 December 2015 and 31 December 2014, based on the industry sectors of the counterparty are as follows: (Continued)

The Bank

	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contigencies	Total credit exposures
				Unquoted securities	Trading derivatives				
31 December 2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	-	-	-	-	-	-	46	-	46
Mining and quarrying	-	-	-	-	-	-	1	-	1
Manufacturing	-	-	-	-	-	-	1,085	-	1,085
Electricity, gas and water	-	-	-	-	-	-	12,726	-	12,726
Construction	-	-	-	-	-	-	773	9,406	10,179
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	-	-	974	-	974
Transport, storage and communications	-	-	-	-	-	-	3,852	-	3,852
Finance, insurance and business services	267,081	-	273,680	1,750	-	-	828,533	-	1,371,044
Education, health & others	-	-	-	-	-	-	213	-	213
Government and government agencies	881,561	-	-	-	-	-	1,389	-	882,950
Household	-	-	-	-	-	194,865	118,623	19,813	333,301
Others	-	-	-	-	16,941	-	4,066	-	21,007
	1,148,642	-	273,680	1,750	16,941	194,865	972,281	29,219	2,637,378

* Other financial assets include other assets and amounts due from related companies.

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.3 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 positions as at 31 December 2015 and 31 December 2014, based on the industry sectors of the counterparty are as follows: (Continued)

The Bank

31 December 2014	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading Unquoted securities RM'000	Derivative financial instruments Trading derivatives RM'000	Loans, advances and financing RM'000	Other financial assets * RM'000	Credit related commitments and contigencies RM'000	Total credit exposures RM'000
Electricity, gas and water	-	-	-	-	-	-	621	-	621
Construction	-	-	-	-	-	-	104	-	104
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	-	-	2	-	2
Transport, storage and communications	-	-	-	-	-	-	2,721	-	2,721
Finance, insurance and business services	334,564	-	50,607	4,568	-	-	949,446	-	1,339,185
Education, health & others	-	-	-	-	-	-	1,375	-	1,375
Government and government agencies	940,189	195,890	-	-	-	-	49,237	-	1,185,316
Household	-	-	-	-	-	179,181	83,319	22,949	285,449
Others	-	-	-	-	21,887	-	2,991	-	24,878
	1,274,753	195,890	50,607	4,568	21,887	179,181	1,089,816	22,949	2,839,651

* Other financial assets include other assets and amounts due from related companies.

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.4 Credit quality of financial assets

Financial assets are required under MFRS 7, to be categorised into "neither past due nor impaired", "past due but not impaired" or "impaired".

(a) Loans, advances and financing

Loans, advances and financing of the Group and the Bank are summarised as follows:

	The Group and the Bank 31 December 2015		
	Neither past due nor impaired (i) RM'000	Impaired (ii) RM'000	Total RM'000
Staff loans	195,024	-	195,024
Other loans	-	1,228	1,228
Total	195,024	1,228	196,252
Less: Impairment allowances			(1,387) *
Total net amount			194,865

	The Group and the Bank 31 December 2014		
	Neither past due nor impaired (i) RM'000	Impaired (ii) RM'000	Total RM'000
Staff loans	181,910	-	181,910
Other loans	-	1,272	1,272
Total	181,910	1,272	183,182
Less: Impairment allowances			(4,001) *
Total net amount			179,181

* Impairment allowances include allowances against financial assets that have been impaired and those subject to portfolio impairment.

There were no loans, advances and financing that are "past due but not impaired" as at 31 December 2015 and 31 December 2014.

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.4 Credit quality of financial assets (Continued)

(a) Loans, advances and financing (Continued)

(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 and the Bank.

	The Group and the Bank 31 December 2015 No rating RM'000
Staff loans	195,024
Total	**195,024**

	The Group and the Bank 31 December 2014 No rating RM'000
Staff loans	181,910
Total	181,910

Credit quality descriptions can be summarised as follows:

No rating – Refers to counterparties that do not satisfy the criteria to be rated internally. These include sovereigns, individuals, schools, non-government organisations, corporations and others.

(ii) "Impaired" loans, advances and financing

Refer to Note 7 for analysis of impaired loans, advances and financing by economic purpose and geographical distribution.

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.4 Credit quality of financial assets (Continued)

(b) Financial assets held for trading

Financial assets held for trading of the Group and the Bank are summarised as follows:

	The Group and the Bank Neither past due nor impaired	
	31 December 2015	31 December 2014
	RM'000	RM'000
Financial assets held for trading		
- Unquoted securities	**1,750**	4,568
Total	**1,750**	4,568

There were no financial assets held for trading that are "past due but not impaired" and "impaired" as at 31 December 2015 and 31 December 2014.

(i) Financial assets held for trading that are "neither past due nor impaired"

The table below presents an analysis of financial assets held for trading that are "neither past due nor impaired", based on ratings by major credit rating agencies:

	The Group and the Bank	
	31 December 2015 Investment grade (AAA to BBB-)	31 December 2014 Investment grade (AAA to BBB-)
	RM'000	RM'000
Financial assets held for trading		
- Unquoted securities	**1,750**	4,568
Total	**1,750**	4,568

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.4 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets

Other financial assets of the Group as at 31 December 2015 and 31 December 2014 are summarised as follows :

	The Group			
31 December 2015	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**
Cash and short term funds	**1,183,788**	**-**	**-**	**1,183,788**
Deposits and placements with banks and other financial institutions	**273,710**	**-**	**-**	**273,710**
Derivative financial instruments	**16,941**	**-**	**-**	**16,941**
Other financial assets	**963,741**	**10,653**	**25,966**	**1,000,360**
Total	**2,438,180**	**10,653**	**25,966**	**2,474,799**
Less: Impairment allowances *				**(25,628)**
Total net amount				**2,449,171**

31 December 2014	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**
Cash and short term funds	1,304,993	-	-	1,304,993
Reverse repurchase agreements	195,890	-	-	195,890
Deposits and placements with banks and other financial institutions	50,637	-	-	50,637
Derivative financial instruments	21,887	-	-	21,887
Other financial assets	1,079,416	12,811	27,984	1,120,211
Total	2,652,823	12,811	27,984	2,693,618
Less: Impairment allowances *				(27,821)
Total net amount				2,665,797

* Impairment allowance represents allowance made against financial assets that have been impaired and those subject to portfolio impairment.

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.4 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets (Continued)

Other financial assets of the Bank as at 31 December 2015 and 31 December 2014 are summarised as follows :

	The Bank			
31 December 2015	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total gross amount RM'000**
Cash and short term funds	**1,148,642**	**-**	**-**	**1,148,642**
Deposits and placements with banks and other financial institutions	**273,680**	**-**	**-**	**273,680**
Derivative financial instruments	**16,941**	**-**	**-**	**16,941**
Other financial assets	**961,290**	**10,653**	**25,966**	**997,909**
Total	**2,400,553**	**10,653**	**25,966**	**2,437,172**
Less: Impairment allowances *				**(25,628)**
Total net amount				**2,411,544**

31 December 2014	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total gross amount RM'000**
Cash and short term funds	1,274,753	-	-	1,274,753
Reverse repurchase agreements	195,890	-	-	195,890
Deposits and placements with banks and other financial institutions	50,607	-	-	50,607
Derivative financial instruments	21,887	-	-	21,887
Other financial assets	1,076,842	12,811	27,884	1,117,537
Total	2,619,979	12,811	27,884	2,660,674
Less: Impairment allowances *				(27,721)
Total net amount				2,632,953

* Impairment allowance represents allowance made against financial assets that have been impaired and those subject to portfolio impairment.

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.4 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets (Continued)

(i) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies as at 31 December 2015 and 31 December 2014:

The Group	31 December 2015 Sovereign (no rating) RM'000	31 December 2015 Investment grade (AAA to BBB-) RM'000	31 December 2015 Others (no rating) RM'000	31 December 2015 Total RM'000	31 December 2014 Sovereign (no rating) RM'000	31 December 2014 Investment grade (AAA to BBB-) RM'000	31 December 2014 Others (no rating) RM'000	31 December 2014 Total RM'000
Cash and short term funds	**882,776**	**301,012**	**-**	**1,183,788**	941,372	363,621	-	1,304,993
Reverse repurchase agreements	**-**	**-**	**-**	**-**	195,890	-	-	195,890
Deposits and placements with banks and other financial institutions	**-**	**273,710**	**-**	**273,710**	-	50,637	-	50,637
Derivative financial instruments	**-**	**-**	**16,941**	**16,941**	-	-	21,887	21,887
Other financial assets	**-**	**73,872**	**889,869**	**963,741**	-	16,302	1,063,114	1,079,416
Total	**882,776**	**648,594**	**906,810**	**2,438,180**	1,137,262	430,560	1,085,001	2,652,823

There were no collateral repossessed by the Group as at 31 December 2015 and 31 December 2014.

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.4 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets (Continued)

(i) The table below presents an analysis of other financial assets that are "neither past due nor impaired", based on rating by major credit rating agencies as at 31 December 2015 and 31 December 2014 (Continued):

The Bank	31 December 2015 Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000	31 December 2014 Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000
Cash and short term funds	**881,561**	**267,081**	**-**	**1,148,642**	940,189	334,564	-	1,274,753
Reverse repurchase agreements	**-**	**-**	**-**	**-**	195,890	-	-	195,890
Deposits and placements with banks and other financial institutions	**-**	**273,680**	**-**	**273,680**	-	50,607	-	50,607
Derivative financial instruments	**-**	**-**	**16,941**	**16,941**	-	-	21,887	21,887
Other financial assets	**-**	**73,872**	**887,418**	**961,290**	-	16,202	1,060,640	1,076,842
Total	**881,561**	**614,633**	**904,359**	**2,400,553**	1,136,079	401,373	1,082,527	2,619,979

There were no collateral repossessed by the Bank as at 31 December 2015 and 31 December 2014 .

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

46 Financial Risk Management (Continued)

46.1 Credit Risk (Continued)

46.1.4 Credit quality of financial assets (Continued)

(c) Credit risk of other financial assets (Continued)

(ii) An ageing analysis of other financial assets of the Group and the Bank that are "past due but not impaired" as at 31 December 2015 and 31 December 2014 are set out as below:

	The Group and the Bank 31 December 2015 Past due but not impaired		
	Up to 1 month RM'000	**>1 to 3 months RM'000**	**Total RM'000**
Other financial assets	**7,307**	**3,346**	**10,653**

	The Group and the Bank 31 December 2014 Past due but not impaired		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Other financial assets	5,497	7,314	12,811

46 Financial Risk Management (Continued)

46.2 Market Risk

Market risk is defined as any fluctuation in the market value of a trading or investment exposure arising from changes to market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

Market risk is inherent in the business activities of an institution that trades and invests in securities, derivatives and other structured financial products. Market risk may arise from the trading book and investment activities in the banking book. For the trading book, it can arise from customer-related businesses or from the Group's proprietary positions. As for investment activities in the banking book, the Group holds the investment portfolio to meet liquidity and statutory reserves requirement and for investment purposes.

Market Risk Management (MRM)

Market risk is evaluated by considering the risk/reward relationship and market exposures across a variety of dimensions such as volatility, concentration/diversification and maturity. The GRC with the support of Group Market Risk Committee (GMRC) and Group Underwriting Committee (GUC) ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GMRC and GUC supported by the Market Risk Centre of Excellence in GRD is responsible to measure and control market risk of the Group through robust measurement and the setting of limits while facilitating business growth within a controlled and transparent risk management framework.

The Group employs the VaR framework to measure market risk where VaR represents the worst expected loss in portfolio value under normal market conditions over a specific time interval at a given confidence level. The Group has adopted a historical simulation approach to compute VaR. This approach assesses potential loss in portfolio value based on the last 500 daily historical movements of relevant market parameters and 99% confidence level at 1-day holding period.

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

Market Risk Management (MRM) (Continued)

Broadly, the Group is exposed to four major types of market risk namely equity risk, interest rate risk, foreign exchange risk and commodity risk. Each business unit is allocated VaR limits for each type of market risk undertaken for effective risk monitoring and control. These limits are approved by the GRC and utilisation of limits is monitored on a daily basis. Daily risk reports are sent to the relevant traders and Group Treasury's Market Risk Analytics Team. The head of each business unit is accountable for all market risk under his/her purview. Any excess in limit will be escalated to management in accordance to the Group's exception management procedures.

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to Group Market Risk Committee , GRC and BRC for its perusal.

Although historical simulation provides a reasonable estimate of market risk, this approach relies heavily on historical daily price movements of the market parameter of interest/profit. Hence, the resulting market VaR is exposed to the danger that price and rate changes over the stipulated time horizon might not be typical. Example, if the past 500 daily price movements were observed over a period of exceptionally low volatility, then the VaR computed would understate the risk of the portfolio and vice versa.

In order to ensure historical simulation gives an adequate estimation of market VaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day VaR against the hypothetical change in portfolio value assuming end-of-day positions in the portfolio were to remain unchanged. The number of exceptions would be the number of times the difference in hypothetical value exceeds the computed 1-day VaR.

The Group also complements VaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute VaR. Stress testing exercise at the group-wide level involves assessing potential losses to the Group's market risk exposures under pre-specified scenarios. This type of scenario analysis is performed twice yearly. Scenarios are designed in collaboration with the Regional Research Team to reflect extreme and yet plausible stress scenarios. Stress test results are presented to the Group Market Risk Committee and GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

Market Risk Management (MRM) (Continued)

In addition to the above, Market Risk Centre of Excellence undertakes the monitoring and oversight process at Group Treasury trading floors, which include reviewing treasury trading strategy, analysing positions and activities vis-à-vis changes in the financial markets, monitoring limits usage, assessing limits adequacy and verifying transaction prices.

The Market Risk Centre of Excellence also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. The MTM process is carried out on all positions classified as Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met.

All valuation methods and models used are documented and validated by the quantitative analysts to assess its applicability to market conditions. The process includes verification of rate sources, parameters, assumptions in modelling approach and its implementation. Existing valuation models are reviewed periodically to ensure that they remain relevant to changing market conditions.

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on Capital Adequacy Framework (CAF) (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks (CAFIB) (Risk Weighted Assets).

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2015 and 31 December 2014 are as follows:

	The Group	
	31 December 2015	**31 December 2014**
	RM'000	**RM'000**
VaR		
Foreign exchange risk	**657**	310
Interest rate risk	**42**	27
Equity risk	**2**	2
Total	**701**	339
Total shareholders fund	**654,768**	607,166
Percentage of shareholders funds	**0.11%**	0.06%

	The Bank	
	31 December 2015	**31 December 2014**
VaR	**RM'000**	**RM'000**
Foreign exchange risk		
Interest rate risk	**641**	303
Equity risk	**42**	27
Total	**2**	2
	685	332
Total shareholders fund	**625,737**	583,591
Percentage of shareholders funds	**0.11%**	0.06%

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk

Interest rate risk relates to the potential adverse impact on the net interest income arising from the 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 summarise the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

The Group

	Non-trading book								
31 December 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short term funds	1,125,864	-	-	-	-	-	57,954	-	1,183,818
Deposits and placements with banks and other financial institutions	-	271,651	2,000	-	-	-	59	-	273,710
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	1,162	1,162
- Unquoted securities	-	-	-	-	-	-	-	1,750	1,750
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	16,941	16,941
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	1,437	-	1,437
Loans, advances and financing	31	7	41	144	7,428	187,214	-	-	194,865
Other assets	-	-	-	-	-	-	949,756	-	949,756
Amounts due from related companies	-	-	-	-	-	-	24,976	-	24,976
Total financial assets	1,125,895	271,658	2,041	144	7,428	187,214	1,034,182	19,853	2,648,415

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Group

	Non-trading book								
31 December 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	42,285	13,000	-	-	-	144,800	28	-	200,113
Deposits and placements of banks and other financial institutions	954,135	162,087	-	-	-	-	1,794	-	1,118,016
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	8,375	8,375
Other liabilities	158	214	-	-	-	-	810,163	-	810,535
Amounts due to related companies	-	-	-	-	-	-	5,161	-	5,161
Subordinated loan	-	-	-	-	5,000	-	-	-	5,000
Total financial liabilities	996,578	175,301	-	-	5,000	144,800	817,146	8,375	2,147,200
Net interest rate sensitivity gap	129,317	96,357	2,041	144	2,428	42,414		11,478	
Credit related commitments and contingencies	-	-	-	-	-	-	29,219		

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)
46.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Group

	Non-trading book								
31 December 2014	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short term funds	1,260,058	-	-	-	-	-	44,977	-	1,305,035
Reverse repurchase agreements	195,660	-	-	-	-	-	230	-	195,890
Deposits and placements with banks and other financial institutions	-	50,629	-	-	-	-	8	-	50,637
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	87	87
- Unquoted securities	-	-	-	-	-	-	-	4,568	4,568
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	21,887	21,887
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	1,464	-	1,464
Loans, advances and financing	2	77	24	109	9,377	169,592	-	-	179,181
Other assets	-	-	-	-	-	-	1,070,451	-	1,070,451
Amounts due from related companies	-	-	-	-	-	-	21,939	-	21,939
Total financial assets	1,455,720	50,706	24	109	9,377	169,592	1,139,069	26,542	2,851,139

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Group

	Non-trading book								
31 December 2014	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	159,008	35,000	-	-	-	152,200	353	-	346,561
Deposits and placements of banks and other financial institutions	948,925	182,000	-	-	-	-	2,704	-	1,133,629
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	10,626	10,626
Other liabilities	-	-	-	-	-	-	953,769	-	953,769
Amounts due to related companies	-	-	-	-	-	-	19,415	-	19,415
Subordinated loan	-	-	-	-	5,000	-	-	-	5,000
Total financial liabilities	1,107,933	217,000	-	-	5,000	152,200	976,241	10,626	2,469,000
Net interest rate sensitivity gap	347,787	(166,294)	24	109	4,377	17,392		15,916	
Credit related commitments and contingencies	-	-	-	-	-	-	22,949		

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

The Bank

	Non-trading book								
31 December 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short term funds	1,092,096	-	-	-	-	-	56,575	-	1,148,671
Deposits and placements with banks and other financial institutions	-	271,621	2,000	-	-	-	59	-	273,680
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	1,162	1,162
- Unquoted securities	-	-	-	-	-	-	-	1,750	1,750
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	16,941	16,941
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	745	-	745
Loans, advances and financing	31	7	41	144	7,428	187,214	-	-	194,865
Other assets	-	-	-	-	-	-	947,225	-	947,225
Amounts due from related companies	-	-	-	-	-	-	25,056	-	25,056
Total financial assets	**1,092,127**	**271,628**	**2,041**	**144**	**7,428**	**187,214**	**1,029,660**	**19,853**	**2,610,095**

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

	Non-trading book								
31 December 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	42,285	13,000	-	-	-	144,800	28	-	200,113
Deposits and placements of banks and other financial institutions	954,135	162,087	-	-	-	-	1,794	-	1,118,016
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	8,375	8,375
Other liabilities	-	-	-	-	-	-	808,286	-	808,286
Amounts due to related companies	-	-	-	-	-	-	5,161	-	5,161
Total financial liabilities	996,420	175,087	-	-	-	144,800	815,269	8,375	2,139,951
Net interest rate sensitivity gap	95,707	96,541	2,041	144	7,428	42,414		11,478	
Credit related commitments and contingencies	-	-	-	-	-	-	29,219		

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

31 December 2014	Non-trading book Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short term funds	1,230,561	-	-	-	-	-	44,233	-	1,274,794
Reverse repurchase agreements	195,660	-	-	-	-	-	230	-	195,890
Deposits and placements with banks and other financial institutions	-	50,600	-	-	-	-	7	-	50,607
Financial assets held for trading									
- Quoted securities	-	-	-	-	-	-	-	87	87
- Unquoted securities	-	-	-	-	-	-	-	4,568	4,568
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	21,887	21,887
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	-	-	745	-	745
Loans, advances and financing	2	77	24	109	9,377	169,592	-	-	179,181
Other assets	-	-	-	-	-	-	1,067,865	-	1,067,865
Amounts due from related companies	-	-	-	-	-	-	21,951	-	21,951
Total financial assets	1,426,223	50,677	24	109	9,377	169,592	1,135,031	26,542	2,817,575

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Bank

	Non-trading book								
31 December 2014	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	159,008	35,000	-	-	-	152,200	353	-	346,561
Deposits and placements of banks and other financial institutions	948,925	182,000	-	-	-	-	2,704	-	1,133,629
Derivative financial instruments									
- Trading derivatives	-	-	-	-	-	-	-	10,626	10,626
Other liabilities	-	-	-	-	-	-	951,663	-	951,663
Amounts due to related companies	-	-	-	-	-	-	19,415	-	19,415
Total financial liabilities	1,107,933	217,000	-	-	-	152,200	974,135	10,626	2,461,894
Net interest rate sensitivity gap	318,290	(166,323)	24	109	9,377	17,392		15,916	
Credit related commitments and contingencies	-	-	-	-	-	-	22,949		

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.2 Interest rate risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's profit/loss to movement in interest rates:

The Group

	31 December 2015		31 December 2014	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	**1,326**	**(1,326)**	1,189	(1,189)

The Bank

	31 December 2015		31 December 2014	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	**1,104**	**(1,104)**	1,024	(1,024)

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.

46.2.3 Foreign exchange risk

The Group and Bank are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Bank take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank.

	The Group								
31 December 2015	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets									
Cash and short term funds	1,147,943	-	304	3,009	21,580	225	10,757	35,875	1,183,818
Deposits and placements with banks and other financial institutions	2,032	-	-	7,602	264,076	-	-	271,678	273,710
Financial assets held for trading									
- Quoted securities	1,124	7	5	5	-	21	-	38	1,162
- Unquoted securities	1,750	-	-	-	-	-	-	-	1,750
Derivative financial instruments									
- Trading derivatives	16,941	-	-	-	-	-	-	-	16,941
Financial investments available-for-sale									
- Unquoted securities	-	692	-	-	745	-	-	1,437	1,437
Loans, advances and financing	194,865	-	-	-	-	-	-	-	194,865
Other assets	905,809	373	179	3,229	9,974	1,730	28,462	43,947	949,756
Amounts due from related companies	24,220	36	-	23	577	-	120	756	24,976
	2,294,684	1,108	488	13,868	296,952	1,976	39,339	353,731	2,648,415
Financial liabilities									
Deposits from customers	200,113	-	-	-	-	-	-	-	200,113
Deposits and placements of banks and other financial institutions	855,241	-	-	-	262,306	-	469	262,775	1,118,016
Derivatives financial instruments									
- Trading derivatives	8,375	-	-	-	-	-	-	-	8,375
Subordinated loan	5,000	-	-	-	-	-	-	-	5,000
Other liabilities	771,253	298	169	2,760	6,656	1,720	27,679	39,282	810,535
Amounts due to related companies	689	-	-	4,472	-	-	-	4,472	5,161
	1,840,671	298	169	7,232	268,962	1,720	28,148	306,529	2,147,200
Credit related commitments and contingencies	29,219	-	-	-	-	-	-	-	29,219
	29,219	-	-	-	-	-	-	-	29,219

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank. (Continued)

	The Group								
31 December 2014	**MYR RM'000**	**IDR RM'000**	**THB RM'000**	**SGD RM'000**	**USD RM'000**	**AUD RM'000**	**Others RM'000**	**Total non-MYR RM'000**	**Grand total RM'000**
Financial assets									
Cash and short term funds	1,258,469	-	716	16,226	18,041	2,255	9,328	46,566	1,305,035
Reverse repurchase agreements	195,890	-	-	-	-	-	-	-	195,890
Deposits and placements with banks and other financial institutions	50,637	-	-	-	-	-	-	-	50,637
Financial assets held for trading									
- Quoted securities	46	7	6	5	-	23	-	41	87
- Unquoted securities	4,568	-	-	-	-	-	-	-	4,568
Derivative financial instruments									
- Trading derivatives	21,887	-	-	-	-	-	-	-	21,887
Financial investments available-for-sale									
- Unquoted securities	-	719	-	-	745	-	-	1,464	1,464
Loans, advances and financing	179,181	-	-	-	-	-	-	-	179,181
Other assets	997,196	11,958	3,141	3,152	7,347	5,586	42,071	73,255	1,070,451
Amounts due from related companies	19,973	46	-	213	557	-	1,150	1,966	21,939
								-	
	2,727,847	12,730	3,863	19,596	26,690	7,864	52,549	123,292	2,851,139
Financial liabilities									
Deposits from customers	346,561	-	-	-	-	-	-	-	346,561
Deposits and placements of banks and other financial institutions	1,133,203	-	-	-	-	-	426	426	1,133,629
Derivatives financial instruments									
- Trading derivatives	10,626	-	-	-	-	-	-	-	10,626
Subordinated loan	5,000	-	-	-	-	-	-	-	5,000
Other liabilities	881,687	11,335	3,134	3,170	7,306	5,573	41,564	72,082	953,769
Amounts due to related companies	15,599	-	-	3,816	-	-	-	3,816	19,415
	2,392,676	11,335	3,134	6,986	7,306	5,573	41,990	76,324	2,469,000
Credit related commitments and contingencies	22,949	-	-	-	-	-	-	-	22,949
	22,949	-	-	-	-	-	-	-	22,949

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank. (Continued)

The Bank									
31 December 2015	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets									
Cash and short term funds	1,114,019	-	304	2,981	20,582	224	10,561	34,652	1,148,671
Deposits and placements with banks and other financial institutions	2,002	-	-	7,602	264,076	-	-	271,678	273,680
Financial assets held for trading									
- Quoted securities	1,124	7	5	5	-	21	-	38	1,162
- Unquoted securities	1,750	-	-	-	-	-	-	-	1,750
Derivative financial instruments									
- Trading derivatives	16,941	-	-	-	-	-	-	-	16,941
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	745	-	-	745	745
Loans, advances and financing	194,865	-	-	-	-	-	-	-	194,865
Other assets	903,669	373	179	3,228	9,628	1,730	28,418	43,556	947,225
Amounts due from related companies	24,300	36	-	23	577	-	120	756	25,056
	2,258,670	416	488	13,839	295,608	1,975	39,099	351,425	2,610,095
Financial liabilities									
Deposits from customers	200,113	-	-	-	-	-	-	-	200,113
Deposits and placements of banks and other financial institutions	855,241	-	-	-	262,306	-	469	262,775	1,118,016
Derivatives financial instruments									
- Trading derivatives	8,375	-	-	-	-	-	-	-	8,375
Other liabilities	769,004	298	169	2,760	6,656	1,720	27,679	39,282	808,286
Amounts due to related companies	689	-	-	4,472	-	-	-	4,472	5,161
	1,833,422	298	169	7,232	268,962	1,720	28,148	306,529	2,139,951
Credit related commitments and contingencies	29,219	-	-	-	-	-	-	-	29,219
	29,219	-	-	-	-	-	-	-	29,219

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank. (Continued)

The Bank									
31 December 2014	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets									
Cash and short term funds	1,228,926	-	716	16,206	17,688	2,255	9,003	45,868	1,274,794
Reverse repurchase agreements	195,890	-	-	-	-	-	-	-	195,890
Deposits and placements with banks and other financial institutions	50,607	-	-	-	-	-	-	-	50,607
Financial assets held for trading									
- Quoted securities	46	7	6	5	-	23	-	41	87
- Unquoted securities	4,568	-	-	-	-	-	-	-	4,568
Derivative financial instruments									
- Trading derivatives	21,887	-	-	-	-	-	-	-	21,887
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	745	-	-	745	745
Loans, advances and financing	179,181	-	-	-	-	-	-	-	179,181
Other assets	994,798	11,958	3,141	3,152	7,160	5,586	42,070	73,067	1,067,865
Amounts due from related companies	19,985	46	-	213	557	-	1,150	1,966	21,951
	2,695,888	12,011	3,863	19,576	26,150	7,864	52,223	121,687	2,817,575
Financial liabilities									
Deposits from customers	346,561	-	-	-	-	-	-	-	346,561
Deposits and placements of banks and other financial institutions	1,133,203	-	-	-	-	-	426	426	1,133,629
Derivatives financial instruments									
- Trading derivatives	10,626	-	-	-	-	-	-	-	10,626
Other liabilities	879,581	11,335	3,134	3,170	7,306	5,573	41,564	72,082	951,663
Amounts due to related companies	15,599	-	-	3,816	-	-	-	3,816	19,415
	2,385,570	11,335	3,134	6,986	7,306	5,573	41,990	76,324	2,461,894
Credit related commitments and contingencies	22,949	-	-	-	-	-	-	-	22,949
	22,949	-	-	-	-	-	-	-	22,949

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

46 Financial Risk Management (Continued)

46.2 Market Risk (Continued)

46.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's profit/loss to movement in foreign exchange rates:

	The Group and the Bank			
	31 December 2015 Increase/(decrease)		31 December 2014 Increase/(decrease)	
	+1% appreciation in foreign currency RM'000	-1% depreciation in foreign currency RM'000	+1% appreciation in foreign currency RM'000	-1% depreciation in foreign currency RM'000
Impact to profit (after tax)	**295**	**(295)**	215	(215)

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

46.3 Liquidity Risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand and fixed deposits. This provides the Group a large stable funding base.

46 Financial Risk Management (Continued)

46.3 Liquidity Risk (Continued)

Liquidity risk management at CIMB is managed on Group basis. The day-to-day responsibility for liquidity risk management and control is delegated to the Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The Asset-Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk appetite and threshold. Limits and Management Action Triggers (MATs) have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Framework is subject to regular review; assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis and compiled with internal risk thresholds 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.

46 Financial Risk Management (Continued)

46.3 Liquidity Risk (Continued)

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio (LCR) which took effect from June 2015 in Malaysia. The purpose of the LCR is to promote short term liquidity risk resilience by ensuring that the Group has sufficient unencumbered high quality liquid assets to meet its liquidity needs for a 30-day combined liquidity crisis scenario. In addition, the Group also performs a consolidated stress test, including liquidity stress test, on a semi-annual basis to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. Two scenarios, namely bank specific crisis and systemic crisis, are modelled. The assumptions used, including run-off rates on deposits, draw down rates on undrawn commitments and hair cuts for marketable securities are documented. The LCR and stress test results are submitted to Group ALCOs, the Group Risk Committee and the Board Risk Committees/Board of Directors of the Group. The test results to date have indicated that the Group has sufficient liquidity capacity to meet the liquidity requirements under stated stress test conditions.

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities

(a) The table below analyses the assets and liabilities of the Group based on the remaining period to the contractual maturity date in accordance with BNM guidelines requirements:

	The Group							
31 December 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short term funds	1,183,818	-	-	-	-	-	-	1,183,818
Deposits and placements with banks and other financial institutions	59	271,651	2,000	-	-	-	-	273,710
Financial assets held for trading	-	-	-	-	4	1,746	1,162	2,912
Derivative financial instruments	-	-	-	-	-	16,941	-	16,941
Financial investments available-for-sale	-	-	-	-	-	-	1,437	1,437
Loans, advances and financing	31	7	41	144	7,428	187,214	-	194,865
Other assets	971,334	-	-	-	-	-	-	971,334
Deferred tax assets	-	-	-	-	-	-	15,278	15,278
Tax recoverable	13,442	-	-	-	-	-	-	13,442
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	23	23
Investment in associates	-	-	-	-	-	-	6,734	6,734
Property, plant and equipment	-	-	-	-	-	-	79,431	79,431
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amounts due from related companies	24,976	-	-	-	-	-	-	24,976
Investment properties	-	-	-	-	-	-	18,879	18,879
Total assets	2,193,660	271,658	2,041	144	7,432	205,901	123,908	2,804,744

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

(a) The table below analyses the assets and liabilities of the Group based on the remaining period to the contractual maturity date in accordance with BNM guidelines requirements: (Continued)

	The Group							
31 December 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	42,313	13,000	-	-	-	144,800	-	200,113
Deposits and placements of banks and other financial institutions	955,929	162,087	-	-	-	-	-	1,118,016
Derivative financial instruments	-	-	-	-	-	8,375	-	8,375
Other liabilities	813,096	214	-	-	-	-	-	813,310
Provision for taxation and Zakat	1	-	-	-	-	-	-	1
Subordinated loan	-	-	-	-	5,000	-	-	5,000
Amounts due to related companies	5,161	-	-	-	-	-	-	5,161
Total liabilities	1,816,500	175,301	-	-	5,000	153,175	-	2,149,976
Net liquidity gap	377,160	96,357	2,041	144	2,432	52,726	123,908	

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

(a) The table below analyses the assets and liabilities of the Group based on the remaining period to the contractual maturity date in accordance with BNM guidelines requirements: (Continued)

The Group

31 December 2014	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short term funds	1,305,035	-	-	-	-	-	-	1,305,035
Reverse repurchase agreements	195,890	-	-	-	-	-	-	195,890
Deposits and placements with banks and other financial institutions	8	50,629	-	-	-	-	-	50,637
Financial assets held for trading	68	-	-	-	-	4,500	87	4,655
Derivative financial instruments	-	-	-	-	-	21,887	-	21,887
Financial investments available-for-sale	-	-	-	-	-	-	1,464	1,464
Loans, advances and financing	2	77	24	109	9,377	169,592	-	179,181
Other assets	1,145,355	-	-	-	-	-	-	1,145,355
Deferred tax assets	-	-	-	-	-	-	46,428	46,428
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,721	1,721
Investment in associates	-	-	-	-	-	-	5,835	5,835
Property, plant and equipment	-	-	-	-	-	-	107,514	107,514
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amounts due from related companies	21,939	-	-	-	-	-	-	21,939
Total assets	2,668,297	50,706	24	109	9,377	195,979	164,013	3,088,505

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

(a) The table below analyses the assets and liabilities of the Group based on the remaining period to the contractual maturity date in accordance with BNM guidelines requirements: (Continued)

	The Group							
31 December 2014	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	159,361	35,000	-	-	-	152,200	-	346,561
Deposits and placements of banks and other financial institutions	951,629	182,000	-	-	-	-	-	1,133,629
Derivative financial instruments	-	-	-	-	-	10,626	-	10,626
Other liabilities	962,286	-	-	-	-	-	-	962,286
Provision for taxation and Zakat	3,822	-	-	-	-	-	-	3,822
Subordinated loans	-	-	-	-	5,000	-	-	5,000
Amounts due to related companies	19,415	-	-	-	-	-	-	19,415
Total liabilities	2,096,513	217,000	-	-	5,000	162,826	-	2,481,339
Net liquidity gap	571,784	(166,294)	24	109	4,377	33,153	164,013	

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period to the contractual maturity date in accordance with BNM guidelines requirements:

The Bank								
31 December 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short term funds	1,148,671	-	-	-	-	-	-	1,148,671
Deposits and placements with banks and other financial institutions	59	271,621	2,000	-	-	-	-	273,680
Financial assets held for trading	-	-	-	-	4	1,746	1,162	2,912
Derivative financial instruments	-	-	-	-	-	16,941	-	16,941
Financial investments available-for-sale	-	-	-	-	-	-	745	745
Loans, advances and financing	31	7	41	144	7,428	187,214	-	194,865
Other assets	968,790	-	-	-	-	-	-	968,790
Deferred tax assets	-	-	-	-	-	-	15,155	15,155
Tax recoverable	13,391	-	-	-	-	-	-	13,391
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	23	23
Investment in subsidiaries	-	-	-	-	-	-	9,050	9,050
Property, plant and equipment	-	-	-	-	-	-	80,304	80,304
Amounts due from related companies	25,056	-	-	-	-	-	-	25,056
Investment properties	-	-	-	-	-	-	18,879	18,879
Total assets	**2,155,998**	**271,628**	**2,041**	**144**	**7,432**	**205,901**	**125,318**	**2,768,462**

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period to the contractual maturity date in accordance with BNM guidelines requirements: (Continued)

The Bank

31 December 2015	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	42,313	13,000	-	-	-	144,800	-	200,113
Deposits and placements of banks and other financial institutions	955,929	162,087	-	-	-	-	-	1,118,016
Derivative financial instruments	-	-	-	-	-	8,375	-	8,375
Other liabilities	811,060	-	-	-	-	-	-	811,060
Amounts due to related companies	5,161	-	-	-	-	-	-	5,161
Total liabilities	1,814,463	175,087	-	-	-	153,175	-	2,142,725
Net liquidity gap	341,535	96,541	2,041	144	7,432	52,726	125,318	

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period to the contractual maturity date in accordance with BNM guidelines requirements: (Continued)

	The Bank							
31 December 2014	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short term funds	1,274,794	-	-	-	-	-	-	1,274,794
Reverse repurchase agreements	195,890	-	-	-	-	-	-	195,890
Deposits and placements with banks and other financial institutions	7	50,600	-	-	-	-	-	50,607
Financial assets held for trading	68	-	-	-	-	4,500	87	4,655
Financial investments available-for-sale	-	-	-	-	-	-	745	745
Derivative financial instruments	-	-	-	-	-	21,887	-	21,887
Loans, advances and financing	2	77	24	109	9,377	169,592	-	179,181
Other assets	1,142,718	-	-	-	-	-	-	1,142,718
Deferred tax asset	-	-	-	-	-	-	46,296	46,296
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,721	1,721
Investment in subsidiaries	-	-	-	-	-	-	9,050	9,050
Investment in jointly controlled entity	-	-	-	-	-	-	-	-
Amounts due from related companies	21,951	-	-	-	-	-	-	21,951
Property, plant and equipment	-	-	-	-	-	-	108,294	108,294
Total assets	2,635,430	50,677	24	109	9,377	195,979	166,193	3,057,789

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period to the contractual maturity date in accordance with BNM guidelines requirements: (Continued)

	The Bank							
31 December 2014	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	159,361	35,000	-	-	-	152,200	-	346,561
Deposits and placements of banks and other financial institutions	951,629	182,000	-	-	-	-	-	1,133,629
Derivative financial instruments	-	-	-	-	-	10,626	-	10,626
Other liabilities	960,177	-	-	-	-	-	-	960,177
Provision for taxation and Zakat	3,790	-	-	-	-	-	-	3,790
Amounts due to related companies	19,415	-	-	-	-	-	-	19,415
Total liabilities	2,094,372	217,000	-	-	-	162,826	-	2,474,198
Net liquidity gap	541,058	(166,323)	24	109	9,377	33,153	166,193	

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

	The Group							
31 December 2015	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								
Deposits from customers	42,335	13,106	-	-	-	144,813	-	200,254
Deposits and placements of banks and other financial institutions	956,922	162,379	-	-	-	-	-	1,119,301
Other liabilities	810,321	214	-	-	-	-	-	810,535
Amounts due to related companies	5,161	-	-	-	-	-	-	5,161
Subordinated loans	-	-	-	250	5,722	-	-	5,972
	1,814,739	175,699	-	250	5,722	144,813	-	2,141,223
Commitments and contingencies								
Credit related commitments and contingencies	9,406	-	-	-	24	19,789	-	29,219
	9,406	-	-	-	24	19,789	-	29,219

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.2 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 under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

	The Group							
31 December 2014	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Non-derivative financial liabilities								
Deposits from customers	159,574	35,234	-	-	-	152,215	-	347,023
Deposits and placements of banks and other financial institutions	952,623	183,066	-	-	-	-	-	1,135,689
Other liabilities	953,769	-	-	-	-	-	-	953,769
Amounts due to related companies	19,415	-	-	-	-	-	-	19,415
Subordinated loans	-	-	-	250	5,972	-	-	6,222
	2,085,381	218,300	-	250	5,972	152,215	-	2,462,118
Commitments and contingencies								
Credit related commitments and contingencies	-	-	-	-	24	22,925	-	22,949
	-	-	-	-	24	22,925	-	22,949

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.2 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 Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

	The Bank							
31 December 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Non-derivative financial liabilities								
Deposits from customers	42,335	13,106	-	-	-	144,813	-	200,254
Deposits and placements of banks and other financial institutions	956,922	162,379	-	-	-	-	-	1,119,301
Other liabilities	808,286	-	-	-	-	-	-	808,286
Amounts due to related companies	5,161	-	-	-	-	-	-	5,161
	1,812,704	175,485	-	-	-	144,813	-	2,133,002
Commitments and contingencies								
Credit related commitments and contingencies	9,406	-	-	-	24	19,789	-	29,219
	9,406	-	-	-	24	19,789	-	29,219

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.2 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 Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

	The Bank							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
31 December 2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-derivative financial liabilities								
Deposits from customers	159,574	35,234	-	-	-	152,215	-	347,023
Deposits and placements of banks and other financial institutions	952,623	183,066	-	-	-	-	-	1,135,689
Other liabilities	951,663	-	-	-	-	-	-	951,663
Amounts due to related companies	19,415	-	-	-	-	-	-	19,415
	2,083,275	218,300	-	-	-	152,215	-	2,453,790
Commitments and contingencies								
Credit related commitments and contingencies	-	-	-	-	24	22,925	-	22,949
	-	-	-	-	24	22,925	-	22,949

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

<u>Derivative financial liabilities</u>

The table below analyses the Group's and the Bank's trading derivative financial liabilities that will be settled on a net basis.

All net settled trading derivatives 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.

	The Group and the Bank							
31 December 2015	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	**(44)**	**-**	**-**	**-**	**-**	**-**	**-**	**(44)**
- Credit related derivatives	**(8,331)**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,331)**
	(8,375)	**-**	**-**	**-**	**-**	**-**	**-**	**(8,375)**

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

46 Financial Risk Management (Continued)

46.3 Liquidity risk (Continued)

46.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

All net settled trading derivatives 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. (Continued)

	The Group and the Bank							
31 December 2014	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Derivative financial liabilities								
Trading derivatives								
- Credit related derivatives	(10,626)	-	-	-	-	-	-	(10,626)
	(10,626)	-	-	-	-	-	-	(10,626)

46 Financial Risk Management (Continued)

46.4 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.

46.4.1 Determination of fair value and fair value hierarchy

Valuation model review and approval

- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;

- Valuation methodologies for the purpose of determining Mark-to-Market prices will be verified by Group Risk Management Quantitative Analysts before submitting to Group Risk Committee for approval;

- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification;

- Any material uncertainty arising from the modelling and market inputs shall be disclosed to the Group Risk Committee;

- Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Regional Head, Market Risk Management or / and the Group Market Risk Committee;

- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodology. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer;

- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions; and

- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.1 Determination of fair value and fair value hierarchy (Continued)

The fair value hierarchy has the following levels:

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

Level 2 — Inputs to the valuation methodology include:
- 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.

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy :

	The Group					The Bank				
		Fair Value					Fair Value			
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
31 December 2015										
Recurring fair value measurement										
Financial assets										
Financial assets held for trading	2,912	1,162	1,750	-	2,912	2,912	1,162	1,750	-	2,912
Financial investments available-for-sale	1,437	-	-	1,437	1,437	745	-	-	745	745
Derivative financial instruments	16,941	-	16,941	-	16,941	16,941	-	16,941	-	16,941
Total	21,290	1,162	18,691	1,437	21,290	20,598	1,162	18,691	745	20,598
Recurring fair value measurement										
Financial liabilities										
Derivative financial instruments	8,375	-	8,375	-	8,375	8,375	-	8,375	-	8,375
Total	8,375	-	8,375	-	8,375	8,375	-	8,375	-	8,375

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy: (Continued):

	The Group					The Bank				
		Fair Value					Fair Value			
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
31 December 2014										
Recurring fair value measurement										
Financial assets										
Financial assets held for trading	4,655	87	4,568	-	4,655	4,655	87	4,568	-	4,655
Financial investments available-for-sale	1,464	-	-	1,464	1,464	745	-	-	745	745
Derivative financial instruments	21,887	-	21,887	-	21,887	21,887	-	21,887	-	21,887
Total	28,006	87	26,455	1,464	28,006	27,287	87	26,455	745	27,287
Recurring fair value measurement										
Financial liabilities										
Derivative financial instruments	10,626	-	10,626	-	10,626	10,626	-	10,626	-	10,626
Total	10,626	-	10,626	-	10,626	10,626	-	10,626	-	10,626

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.1 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 2015 and 31 December 2014 for the Group and the Bank.

	The Group Financial Assets
	Financial investments available-for-sale RM'000
2015	
At 1 January	**1,464**
Total loss recognised in other comprehensive income	**(27)**
At 31 December	**1,437**
Total loss recognised in other comprehensive income for financial year ended 31 December 2015, under "revaluation reserves"	**(27)**
2014	
At 1 January	2,824
Total gain recognised in statement of income	44
Total loss recognised in other comprehensive income	(277)
Redemption of securities	(1,127)
At 31 December	1,464
Total gain recognised in statement of income for financial year ended 31 December 2014, under "net non-interest income"	44
Total loss recognised in other comprehensive income for financial year ended 31 December 2014, under "revaluation reserves"	(277)

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.1 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 2015 and 31 December 2014 for the Group and the Bank. (Continued)

	The Bank Financial Assets Financial investments available-for-sale
	RM'000
2015	
At 1 January / 31 December	**745**
2014	
At 1 January / 31 December	745

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.2 Quantitative information about fair value measurements using significant unobservable inputs (level 3)

Certain credit derivatives products where market rate inputs are unobservable are valued using simulation approach comprising statistical models that interact with each other. These models describe the default process and other market random variables like interest rates and foreign exchange ("FX") rates in a mathematically and theoretically consistent framework. These statistical models are the usual market standard when it comes to modeling rates, FX and credit. Credit derivatives inputs include:

- Observable credit default swap ("CDS") spreads
- Loss given default or loss severity
- Credit correlation between the underlying debt instruments (models are structured on a transaction basis and calibrated to liquid benchmark indices)
- Correlation between Credit and FX
- Credit spread and FX volatility
- Actual transactions, where available, are used to regularly recalibrate 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 –
1. Long correlation positions will be shocked with lower correlation
2. Short correlation positions will be shocked with higher correlation

- Credit & FX correlation –
1. Short Quanto CDS position shocked with larger negative correlation
2. Long Quanto CDS position shocked with larger positive correlation

- FX Volatility -
1. Long volatility shocked with lower volatility
2. Short volatility shocked with higher volatility

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.

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.2 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

The Group
31 December 2015

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale					
- unquoted shares	**1,437**	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

31 December 2014

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale					
- unquoted shares	1,464	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.2 Quantitative information about fair value measurements using significant unobservable inputs (level 3) (Continued)

The Bank
31 December 2015

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale					
- unquoted shares	**745**	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

31 December 2014

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale					
- unquoted shares	745	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2015 and 31 December 2014 but for which fair value is disclosed.

		The Group Fair Value		
31 December 2015	**Carrying value RM'000**	**Quoted market prices (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Total RM'000**
Financial assets				
Cash and short-term funds	**1,183,818**	**1,183,818**	**-**	**1,183,818**
Deposits and placement with banks and other financial institutions	**273,710**	**-**	**273,710**	**273,710**
Loans, advances and financing	**194,865**	**-**	**136,488**	**136,488**
Other assets	**971,334**	**-**	**971,334**	**971,334**
Amounts due from related companies	**24,976**	**-**	**24,976**	**24,976**
Investment Properties	**18,879**		**44,000**	**44,000**
Statutory deposits with Bank Negara Malaysia	**23**	**23**	**-**	**23**
Total	**2,667,605**	**1,183,841**	**1,450,508**	**2,634,349**
Financial liabilities				
Deposits from customers	**200,113**	**-**	**199,576**	**199,576**
Deposits and placements of banks and other financial institutions	**1,118,016**	**-**	**1,118,016**	**1,118,016**
Other liabilities	**813,310**	**-**	**813,310**	**813,310**
Amounts due to related companies	**5,161**	**-**	**5,161**	**5,161**
Subordinated loan	**5,000**	**-**	**5,000**	**5,000**
Total	**2,141,600**	**-**	**2,141,063**	**2,141,063**

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2015 and 31 December 2014 but for which fair value is disclosed. (Continued)

		The Group Fair Value		
31 December 2014	**Carrying value RM'000**	**Quoted market prices (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Total RM'000**
Financial assets				
Cash and short-term funds	1,305,035	1,305,035	-	1,305,035
Reverse repurchase agreements	195,890	-	195,890	195,890
Deposits and placement with banks and other financial institutions	50,637	-	50,637	50,637
Loans, advances and financing	179,181	-	113,791	113,791
Other assets	1,145,355	-	1,145,355	1,145,355
Amounts due from related companies	21,939	-	21,939	21,939
Statutory deposits with Bank Negara Malaysia	1,721	1,721	-	1,721
Total	2,899,758	1,306,756	1,527,612	2,834,368
Financial liabilities				
Deposits from customers	346,561	-	345,939	345,939
Deposits and placements of banks and other financial institutions	1,133,629	-	1,133,629	1,133,629
Other liabilities	962,286	-	962,286	962,286
Amounts due to related companies	19,415	-	19,415	19,415
Subordinated loan	5,000	-	4,940	4,940
Total	2,466,891	-	2,466,209	2,466,209

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2015 and 31 December 2014 but for which fair value is disclosed.

		The Bank Fair Value		
31 December 2015	**Carrying value RM'000**	**Quoted market prices (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Total RM'000**
Financial assets				
Cash and short-term funds	1,148,671	1,148,671	-	1,148,671
Deposits and placement with banks and other financial institutions	273,680	-	273,680	273,680
Loans, advances and financing	194,865	-	136,488	136,488
Other assets	968,790	-	968,790	968,790
Amounts due from related companies	25,056	-	25,056	25,056
Investment Properties	18,879	-	44,000	44,000
Statutory deposits with Bank Negara Malaysia	23	23	-	23
Total	2,629,964	1,148,694	1,448,014	2,596,708
Financial liabilities				
Deposits from customers	200,113	-	199,576	199,576
Deposits and placements of banks and other financial institutions	1,118,016	-	1,118,016	1,118,016
Other liabilities	811,060	-	811,060	811,060
Amounts due to related companies	5,161	-	5,161	5,161
Total	2,134,350	-	2,133,813	2,133,813

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2015 but for which fair value is disclosed. (Continued)

		The Bank Fair Value		
31 December 2014	**Carrying value RM'000**	**Quoted market prices (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Total RM'000**
Financial assets				
Cash and short-term funds	1,274,794	1,274,794	-	1,274,794
Reverse repurchase agreements	195,890	-	195,890	195,890
Deposits and placement with banks and other financial institutions	50,607	-	50,607	50,607
Loans, advances and financing	179,181	-	113,791	113,791
Other assets	1,142,718	-	1,142,718	1,142,718
Amounts due from related companies	21,951	-	21,951	21,951
Statutory deposits with Bank Negara Malaysia	1,721	1,721	-	1,721
Total	2,866,862	1,276,515	1,524,957	2,801,472
Financial liabilities				
Deposits from customers	346,561	-	345,939	345,939
Deposits and placements of banks and other financial institutions	1,133,629	-	1,133,629	1,133,629
Other liabilities	960,177	-	960,177	960,177
Amounts due to related companies	19,415	-	19,415	19,415
Total	2,459,782	-	2,459,160	2,459,160

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The fair values are based on the following methodologies and assumptions:

Short term funds and placements with financial institutions

For short term funds and placements with financial institutions 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.

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.

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The fair values are based on the following methodologies and assumptions: (Continued)

Amounts due (to)/from subsidiaries and related companies

The estimated fair values of the amounts 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.

Amounts due (to)/from holding company and ultimate holding company

The estimated fair value of the amounts due (to)/from holding company approximates the carrying value as the balances are recallable on demand.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

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.

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

46 Financial Risk Management (Continued)

46.4 Fair value estimation (Continued)

46.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)

The fair values are based on the following methodologies and assumptions: (Continued)

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Due from brokers and clients and corporate finance debtors

The estimated fair values of due from brokers and clients and corporate finance debtors are approximate the carrying values.

Other borrowings

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For 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.

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.

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

47 The operations of Islamic Banking

Statements of Financial Position as at 31 December 2015

		The Group and the Bank	
		31 December	31 December
		2015	2014
	Note	**RM'000**	RM'000
Assets			
Cash and short term funds	**(a)**	**444,880**	470,664
Deposits and placements with banks and other financial institutions	**(b)**	**-**	50,605
Islamic derivative financial instruments	**(c)**	**16,941**	21,887
Other assets	**(d)**	**151,393**	158,638
Tax recoverable		**-**	2,740
Deferred tax assets	**(e)**	**88**	15
Property, plant and equipment	**(f)**	**338**	434
Amounts due from related companies	**(g)**	**353**	1,321
Total assets		**613,993**	706,304
Liabilities and Islamic Banking capital funds			
Deposits from customers	**(h)**	**144,800**	152,200
Deposits and placements of banks and other financial institutions	**(i)**	**-**	85,674
Islamic derivative financial instruments	**(c)**	**8,331**	10,626
Provision for taxation and Zakat	**(j)**	**361**	7
Other liabilities	**(k)**	**6,763**	35,740
Amounts due to related companies	**(g)**	**401**	271
Total liabilities		**160,656**	284,518
Islamic Banking capital funds		**55,250**	55,250
Reserves		**398,087**	366,536
Total Islamic Banking capital funds		**453,337**	421,786
Total liabilities and Islamic Banking capital funds		**613,993**	706,304

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

47 The operations of Islamic Banking (Continued)

Statements of Income for the financial year ended 31 December 2015

		The Group and the Bank	
		2015	2014
	Note	**RM'000**	RM'000
Income derived from investment of depositors' funds and others	**(l)**	**2,349**	1,515
Income derived from investment of shareholders' funds	**(m)**	**53,980**	32,867
Allowance for impairment losses on other receivables		**(42)**	(43)
Total attributable income		**56,287**	34,339
Income attributable to the depositors	**(n)**	**(3,613)**	(4,148)
Total net income		**52,674**	30,191
Personnel expenses	**(o)**	**(1,039)**	(544)
Other overheads and expenditures	**(p)**	**(9,100)**	(14,466)
Profit before taxation		**42,535**	15,181
Taxation	**(q)**	**(10,984)**	(4,167)
Profit after taxation/total comprehensive income for the financial year		**31,551**	11,014
Total net income		**52,674**	30,191
Add : allowance for impairment losses on other receivables		**42**	43
		52,716	30,234

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

47 The operations of Islamic Banking (Continued)

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

	Islamic Banking capital fund RM'000	Statutory reserve RM'000	Retained profits RM'000	Total RM'000
The Group and the Bank				
At 1 January 2015	**55,250**	**1,336**	**365,200**	**421,786**
Net profit for the financial year	**-**	**-**	**31,551**	**31,551**
Total comprehensive income for the financial year	**-**	**-**	**31,551**	**31,551**
At 31 December 2015	**55,250**	**1,336**	**396,751**	**453,337**
At 1 January 2014	55,250	1,336	354,186	410,772
Net profit for the financial year	-	-	11,014	11,014
Total comprehensive income for the financial year	-	-	11,014	11,014
At 31 December 2014	55,250	1,336	365,200	421,786

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

47 The operations of Islamic Banking (Continued)

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

	Note	The Group and the Bank 2015 RM'000	2014 RM'000
Cash flows from operating activities			
Profit before taxation		**42,535**	15,181
Add/(less) adjustments:			
Unrealised foreign exchange gain		**(2)**	(3)
Allowance for impairment losses on other receivables		**43**	43
Net unrealised loss on revaluation of Islamic derivative financial instruments		**2,652**	2,675
Depreciation of property, plant and equipment		**112**	58
Cash flow from operating profit before changes in operating assets and liabilities		**45,340**	17,954
(Increase)/decrease in operating assets			
Deposits and placements with banks and other financial institutions		**50,605**	(50,605)
Islamic derivative financial instruments		**(1)**	-
Other assets		**7,204**	5,440
Amounts due from related companies		**968**	(1,212)
(Increase)/decrease in operating liabilities			
Deposits from customers		**(7,400)**	(10,000)
Deposits and placements of banks and other financial institutions		**(85,674)**	(46,469)
Other liabilities		**(28,977)**	27,246
Amounts due to related companies		**130**	(3)
Cash flow used in operating activities		**(17,805)**	(57,649)
Taxation paid		**(7,963)**	(9,582)
Net cash used in operating activities		**(25,768)**	(67,231)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(17)**	(442)
Proceeds from disposal of property, plant and equipment		**1**	16
Net cash used in financing activities		**(16)**	(426)
Cash flows from financing activities			
Dividends paid		**-**	-
		-	-
Net decrease in cash and cash equivalents during the financial year		**(25,784)**	(67,657)
Cash and cash equivalents at beginning of the financial year		**470,664**	538,321
Cash and cash equivalents at end of the financial year	**(a)**	**444,880**	470,664

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

47 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		31 December 2015 RM'000	31 December 2014 RM'000
(a)	**Cash and short term funds**		
	Cash and balances with banks and other financial institutions	**141**	119
	Money at call and deposit placements maturing within one month	**444,739**	470,545
		444,880	470,664
(b)	**Deposits and placements with banks and other financial institutions:**		
	General investment funds:		
	Licensed banks	**-**	50,605

(c) Islamic derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of Islamic derivative financial instruments held at fair value through profit or loss. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the end of the reporting period, and do not represent amounts 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.

	The Group and the Bank		
	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
At 31 December 2015			
Trading derivatives			
Islamic profit rate derivatives			
Islamic profit rate swaps	**144,800**	**9,323**	**-**
Equity derivatives			
Equity options	**311,624**	**-**	**-**
Credit related derivatives			
Total return swap	**289,600**	**7,618**	**(8,331)**
Total derivative assets/(liabilities)	**746,024**	**16,941**	**(8,331)**

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

47 The operations of Islamic Banking (Continued)

(c) Islamic derivative financial instruments (Continued)

	The Group and the Bank		
	Principal amount	Fair values Assets	Fair values Liabilities
	RM'000	RM'000	RM'000
At 31 December 2014			
Trading derivatives			
Islamic profit rate derivatives			
Islamic profit rate swaps	152,200	12,339	-
Equity derivatives			
Equity options	267,395	-	-
Credit related derivatives			
Total return swap	304,400	9,548	(10,626)
Total derivative assets/(liabilities)	723,995	21,887	(10,626)

	The Group and the Bank	
	31 December 2015	31 December 2014
	RM'000	RM'000
(d) Other assets		
Due from brokers and clients, net of allowance for impairment loss	**5,420**	466
Other debtors, deposits and prepayments	**145,973**	158,172
	151,393	158,638

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

47 The operations of Islamic Banking (Continued)

(e) 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 statement of financial position, after offsetting:

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Deferred taxation asset (net)	**88**	15

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

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Deferred tax assets (before offsetting)		
Other temporary differences	**96**	29
	96	29
Offsetting	**(8)**	(14)
Deferred tax assets (after offsetting)	**88**	15
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	**(8)**	(14)
	(8)	(14)
Offsetting	**8**	14
Deferred tax liabilities (after offsetting)	**-**	-

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

47 The operations of Islamic Banking (Continued)

(e) Deferred taxation (Continued)

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

The Group and the Bank	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)			
At 1 January 2015	**(14)**	**29**	**15**
Credited/(charged) to statements of income	**6**	**92**	**98**
Under accrual in prior year	**-**	**(25)**	**(25)**
At 31 December 2015	**(8)**	**96**	**88**

The Group and the Bank	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)			
At 1 January 2014	-	-	-
Credited/(charged) to statements of income	(14)	29	15
At 31 December 2014	(14)	29	15

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

47 The operations of Islamic Banking (Continued)

(f) Property, plant and equipment

The Group and the Bank	Office equipment and furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
31 December 2015					
Cost					
At 1 January	**291**	**156**	**119**	**212**	**778**
Additions	**-**	**13**	**-**	**4**	**17**
Disposal	**(6)**	**(1)**	**-**	**-**	**(7)**
At 31 December	**285**	**168**	**119**	**216**	**788**
Accumulated depreciation					
At 1 January	**127**	**82**	**119**	**16**	**344**
Charge for the financial year	**36**	**31**	**-**	**45**	**112**
Disposal	**(5)**	**(1)**	**-**	**-**	**(6)**
At 31 December	**158**	**112**	**119**	**61**	**450**
Net book value as at 31 December 2015	**127**	**56**	**-**	**155**	**338**
31 December 2014					
Cost					
At 1 January	332	151	119	713	1,315
Additions	172	59	-	211	442
Disposal	(213)	(54)	-	(712)	(979)
At 31 December	291	156	119	212	778
Accumulated depreciation					
At 1 January	320	115	119	695	1,249
Charge for the financial year	17	21	-	20	58
Disposal	(210)	(54)	-	(699)	(963)
At 31 December	127	82	119	16	344
Net book value as at 31 December 2014	164	74	-	196	434

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
(g) Amounts due from/(to) related companies		
(i) Amounts due from:		
- Related companies	**353**	1,321
(ii) Amounts due to:		
- Related companies	**(401)**	(271)

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

47 The operations of Islamic Banking (Continued)

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
(h) Deposits from customers		
(i) By type of deposits:		
Term deposits		
Specific investment account		
Mudharabah	**144,800**	152,200
(ii) The deposits are sourced from the following customers:		
- Government and statutory bodies	**54,400**	54,400
- Business enterprises	**7,100**	7,100
- Individuals	**79,550**	86,950
- Others	**3,750**	3,750
	144,800	152,200
(iii) Maturity structure of term deposits :		
- More than five years	**144,800**	152,200

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 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.

47 The operations of Islamic Banking (Continued)

		The Group and the Bank 31 December 2015 RM'000	31 December 2014 RM'000
(i)	**Deposits and placements of banks and other financial institutions**		
	Mudharabah fund:		
	Licensed Islamic bank	-	85,674
	(i) The maturity structure of deposits is as follows:		
	Due within six months	-	85,674
(j)	**Provision for taxation and Zakat**		
	Taxation	361	-
	Zakat	-	7
		361	7
(k)	**Other liabilities**		
	Due to brokers and clients	145	35,371
	Other liabilities	6,618	369
		6,763	35,740

		The Group and the Bank 2015 RM'000	2014 RM'000
(l)	**Income derived from investment of depositors' funds**		
	Income derived from investment of:		
	(i) General investment deposits	2,349	1,515
	Income derived from investment of general investment deposits :		
	Finance income and hibah:		
	Money at call and deposit and placements with financial institutions	2,349	1,515

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

47 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		2015	2014
		RM'000	RM'000
(m)	**Income derived from investment of shareholders' funds**		
	Finance income and hibah:		
	Money at call and deposit and placements with financial institutions	**14,789**	15,133
	Other trading income:		
	Unrealised loss on revaluation of derivatives	**(2,652)**	(2,675)
	Net realised gain on derivatives	**3,524**	4,012
		872	1,337
	Fee and commission income:		
	Advisory fees	**4,625**	1,577
	Placement fees	**11,159**	5,750
	Brokerage fees	**2,101**	4,302
	Underwriting commission	**960**	640
	Syndication fees	**7,000**	-
	Others	**11,317**	4,123
		37,162	16,392
	Other income:		
	Foreign exchange (loss)/gain	**(24)**	5
	Others	**1,181**	-
		1,157	5
		53,980	32,867
(n)	**Income attributable to depositors**		
	Deposits from customers		
	- Mudharabah Fund	**1**	2
	Deposits and placements of banks and other financial institutions		
	- Mudharabah Fund	**3,612**	4,146
		3,613	4,148

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

47 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		2015	2014
		RM'000	RM'000
(o)	**Personnel expenses**		
	- Salaries, allowances and bonuses	**853**	470
	- EPF	**46**	42
	- Others	**140**	32
		1,039	544
(p)	**Other overheads and expenditure**		
	Establishment expenses		
	- Depreciation of property, plant and equipment	**112**	58
	- Rental	**242**	223
	- Others	**46**	149
		400	430
	Marketing expenses		
	- Advertisement	**3**	4
	- Others	**38**	96
		41	100
	Administration and general expenses		
	- Legal and professional fees	**4**	-
	- Others	**64**	86
		68	86
	Shared services cost		
	-Personnel cost	**5,253**	9,222
	-Establishment cost	**2,337**	3,031
	-Marketing expenses	**263**	589
	-Administration and general expenses	**738**	1,008
		8,591	13,850
		9,100	14,466

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM468,908 (2014: RM409,029)

47 The operations of Islamic Banking (Continued)

	The Group and the Bank	
	2015	2014
	RM'000	RM'000
(q) Taxation		
(i) Tax expense for the financial year		
Current year tax		
- Malaysian income tax	**11,057**	4,154
Deferred tax	**(98)**	15
- Over/(under) provision in prior years	**25**	(2)
	10,984	4,167

(ii) Numerical reconciliation of income tax expense
The explanation on the relationship between tax expense and profit before taxation is as follows:

	The Group and the Bank	
	2015	2014
	RM'000	RM'000
Profit before taxation	**42,535**	15,181
Tax calculated at tax rate of 25% (2014: 25%)	**10,634**	3,795
Expenses not deductable for tax purposes	**322**	374
Effects of change in tax rates	**3**	-
Under provision in prior years	**25**	(2)
Tax expense	**10,984**	4,167

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

47 The operations of Islamic Banking (Continued)

(r) Related party transactions and balances

(i) Related parties and relationships

The related parties of, and their relationship with the Bank, is disclosed in Note 38 (a).

(ii) Significant related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These significant related party transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated.

	31 December 2015 Other related companies RM'000	31 December 2014 Other related companies RM'000
The Group and the Bank		
Income:		
Net realised loss on derivatives	**(659)**	(792)
Dividend income	**15,931**	15,351
	15,272	14,559
Expenses:		
Dividend expense	**(3,612)**	(4,146)
	(3,612)	(4,146)
The Group and the Bank		
Amounts due from:		
Cash and short term funds	**173,345**	150,517
Deposits and placements with banks and other financial institutions	**-**	50,605
	173,345	201,122
Amounts due to:		
Deposits and placements of banks and other financial institutions	**-**	85,674
Principal		
Equity related contracts:		
Equity options	**155,812**	133,697

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

47 The operations of Islamic Banking (Continued)

(s) Capital adequacy ratio

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

	The Group and the Bank	
	31 December 2015	31 December 2014
Common Equity Tier 1 Ratio	**129.413%**	112.821%
Tier 1 ratio	**129.413%**	112.821%
Total capital ratio	**129.413%**	112.821%

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

	The Group and the Bank	
	31 December 2015	31 December 2014
	RM'000	RM'000
Credit risk	**196,992**	213,688
Market risk	**11,864**	14,616
Operational risk	**90,380**	145,538
Total risk-weighted assets	**299,236**	373,842

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

	The Group and the Bank	
	31 December 2015	31 December 2014
	RM'000	RM'000
Common Equity Tier I capital		
Ordinary shares	**55,250**	55,250
Other reserves	**398,087**	366,536
Less : Proposed dividends	**(66,000)**	-
Common Equity Tier I capital / total Tier I Capital	**387,337**	421,786
Less: Regulatory adjustments		
Deferred Tax Assets	**(88)**	(15)
Common equity tier I capital after regulatory adjustments / total Tier I capital	**387,249**	421,771
Total capital base	**387,249**	421,771

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

48 Client trust accounts

As at 31 December 2015, cash held in trust for clients by the Group and the Bank amounted to RM982,007,000 and RM651,603,000 respectively (31 December 2014: RM783,168,000 and RM587,310,000). These amounts are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

49 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue in accordance with a resolution of the Board of Directors on 8 March 2016.