Company No: 671380-H

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Reports and Financial Statements for the financial year ended 31 December 2014

Company No: 671380-H

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Reports and Financial Statements for the financial year ended 31 December 2014

# Contents

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Directors' Report
# for the financial year ended 31 December 2014

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Islamic Bank Berhad ("CIMB Islamic" or "the Bank") for the financial year ended 31 December 2014.

## Principal activities

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

## Financial results

| | The Group and the Bank RM'000 |
|---|---|
| Net profit after taxation | 391,348 |

## Dividends

No dividends have been paid or declared by the Group and the Bank since the financial year ended 31 December 2013.

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

## Reserves, provisions and allowances

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

# Directors' Report
# for the financial year ended 31 December 2014 (Continued)

## Issuance of shares

During the financial year, the Bank increased its authorised, and issued and paid up capital by RM300 million and RM150 million respectively via issuance of Basel III Compliant Perpetual Preference Shares ("PPS") to CIMB Bank Berhad pursuant to the approval received from CIMB Islamic's shareholder and Bank Negara Malaysia on 9 January 2014 and 20 March 2014 respectively.

The RM150 million PPS qualifies as Additional Tier 1 capital for the purpose of the Tier 1 capital ratio and Total capital ratio computation.

## Bad and doubtful financing

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

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

## Current assets

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

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

## Valuation methods

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

# Directors' Report
# for the financial year ended 31 December 2014 (Continued)

## Contingent and other liabilities

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

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

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

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

## Change of circumstances

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

## Items of an unusual nature

In the opinion of the Directors:

(a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 40 to the Financial Statements; and

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

# Directors' Report
# for the financial year ended 31 December 2014 (Continued)

## Directors

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

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Raja Shaharul Niza bin Raja Abdul Aziz
Habibah binti Abdul
Badlisyah bin Abdul Ghani
Dato' Sulaiman bin Mohd Tahir (resigned on 24 January 2014)
Rosnah binti Dato' Kamarul Zaman (appointed on 28 March 2014)
Associate Professor Dr. Mohamed Azam bin Mohamed Adil (appointed on 5 November 2014)
Dato' Professor Dr. Sudin bin Haron (appointed on 5 November 2014)

In accordance with Article 83 of the Bank's Articles of Association, Badlisyah bin Abdul Ghani shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with Article 84 of the Bank's Articles of Association, Rosnah binti Dato' Kamarul Zaman, Associate Professor Dr. Mohamed Azam bin Mohamed Adil and Dato' Professor Dr. Sudin bin Haron shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

## 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 of the ultimate holding company during the financial year are as follows:

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | **As at 1 January 2014/Date of appointment** | **Acquired/ Granted** | **Disposed** | **As at 31 December 2014** |
| **<u>Ultimate holding company</u>** | | | | |
| **CIMB Group Holdings Berhad** | | | | |
| **Direct interest** | | | | |
| Badlisyah bin Abdul Ghani | 84,792 | 109,847 ** | (83,981) | 110,658 |

** Includes shares granted under Equity Ownership Plan ("EOP") and acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")

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

# Directors' Report
# for the financial year ended 31 December 2014 (Continued)

## Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 32 to the Financial Statements or the fixed salary as a full time employees of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than Equity Ownership Plan ("EOP") of the ultimate holding company (see Note 35 (f) of the Financial Statements).

## 2014 Business Plan and Strategy

The year 2014 proved to be a difficult and challenging year in terms of the operating environment which saw material change in regulatory and legislative frameworks. The business was also influenced by continuous international economic and financial market uncertainty, and the ever-increasing heightened competitive landscape in both local and regional markets.

Despite the challenges, we have successfully maintained our position as the second largest Islamic bank by assets in Malaysia and the largest Islamic investment bank globally.

In 2014, the Bank focused on two main areas - business development and compliance.

The first area of focus was centred on enhancing and defending our leading position in the sukuk market and sustaining our strong market position across all the business segments. The Bank managed to regain the number one position in the global sukuk league table by garnering a 15% market share of sukuk issuances globally.

In last year's outlook, we stated our expectations for a prolific number of sukuk issuances in 2014. The year did not disappoint, and 2014 was also a breakthrough year for us where we undertook a record 4 sovereign global sukuk deals for Hong Kong, the United Kingdom, the Republic of Indonesia and the Republic of Turkey, 3 supranational global sukuk deals for the Islamic Development Bank (2 issuances) and the International Finance Facility for Immunisation Company (1 issuance) with the latter also being the world's first Socially Responsible Investment (SRI) sukuk deal, and 1 global sukuk deal for the Export-Import Bank of Malaysia.

# Directors' Report for the financial year ended 31 December 2014 (Continued)

## 2014 Business Plan and Strategy (Continued)

The Bank played significant role in opening and broadening the global sukuk market in 2014 including jointly arranging sovereign sukuk issuances in a variety of non-traditional Islamic finance markets, which included the inaugural issuances by the United Kingdom and Hong Kong. The oversubscription of these and other recent sovereign sukuk speaks to the positive investor sentiment confirms the high level of demand for good quality sukuk brought by the Bank.

The Bank was very proud to have been able to bring value to sukuk investors globally by considerably expanding the investible universe of sukuk in 2014. For the first time, the rating band was widened up to triple-A, highly-rated sovereign countries, territories and issuers and beyond traditional Islamic finance markets like Malaysia and the GCC countries to non-traditional Islamic finance markets. Investors were able to look at top quality names and issuers for significant and substantial diversification, and this will eventually encourage further secondary market liquidity.

On the Consumer Banking front, we held our own against our peers and remain in the top 5 in Malaysia for home financing, vehicle financing, personal financing, non-residential property financing, and current accounts & savings accounts (CASA) segments.

The successful completion of the emplacement of a new core banking system under the multi-year 1Platform (1P) Project in the first quarter of 2014 has afforded us with a better platform in coming to market with more innovative products and services for our consumer banking, commercial banking and enterprise banking clientele in the medium term. In the immediate term within 2014, however, we focused on replacing existing products in light of new guidelines issued by Bank Negara Malaysia in order to ensure compliance with the new requirements of the Islamic Financial Services Act 2013 (IFSA).

This took precedence and became our second area of focus in 2014.

In order to comply with the IFSA, we had to distinguish our deposit products, which are guaranteed products under the Act, from our investment account products, which are not guaranteed. A significant portion of our deposit product that utilised the underlying Shariah principle of Mudharabah and Wakalah, which disallowed the Bank from guaranteeing any return on deposit to the depositor or to giving surety to the depositor on getting back the principal deposit placement in full from a shariah perspective, automatically would have become inconsistent with the new definition of deposit.

As a result, we had to stop offering deposit products based on Mudharabah or Wakalah principles. Notwithstanding, we have other deposit products structured under the Shariah principle of Wadiah and Commodity Murabahah that continue to be consistent with the new definition of deposit product.

# Directors' Report
# for the financial year ended 31 December 2014 (Continued)

## 2014 Business Plan and Strategy (Continued)

As at June 30, 2014 we have totally discontinued selling Mudharabah or Wakalah as deposit products. All existing customers who were placing deposits with us in Mudharabah or Wakalah savings account or current account as well term deposit of less than 6 months have been fully migrated to either Wadiah or Commodity Murabahah savings, current or term deposits. For terms deposits of more than 6 months, we will be migrating our existing customers as and when the placement matures. The migration has been very successful and will be completed by July 2015.

Although the year 2014 could be considered a perfect storm for our Malaysian operations in terms of operating environment due to the regulatory changes, CIMB Islamic successfully navigated the choppy waters by defending our leading position in the sukuk market and holding our own across the board in terms of our balance sheet activities across all business segments. All in all, it was a good year for the Bank.

## Outlook for 2015

The Bank expects business to register positive growth in 2015 across all business lines in Malaysia. However, the growth prospects are expected to track the slower economic environment and moderation in consumer spending. Our business outside of Malaysia, predominantly in the wholesale banking business, will have to manoeuvre difficult market conditions given the volatile and unpredictable global economy, especially in the capital markets.

Elsewhere in the region, the economic outlook in Singapore looks positive, with steady economic growth is expected. Indonesia remains challenged by tight liquidity and slower asset growth although economic reforms are expected to gain traction from 2H15.

# Directors' Report
# for the financial year ended 31 December 2014 (Continued)

## Rating by External Rating Agencies

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

| Rating Agency | Rating Date | Rating Classification | Rating Accorded | Outlook |
|---|---|---|---|---|
| Malaysian Rating Corporation Berhad (MARC) | August 2014 | 1. Long-term Financial Institution Rating<br>2. Short-term Financial Institution Rating<br>3. RM2.0 bil Tier 2 Junior Sukuk Programme | AAA<br>MARC-1<br>$AA+_{IS}$ | Stable |
| RAM Rating Services Berhad (RAM) | October 2014 | 1. Long-term Financial Institution Rating<br>2. Short-term Financial Institution Rating | AAA<br>P1 | Stable |
| Moody's Investors Service (Moody's) | November 2014 | 1. Long-term Rating: Bank Deposits – Foreign Currency<br>2. Short-term Rating: Bank Deposits – Foreign Currency<br>3. Long-term Rating: Bank Deposits – Domestic Currency<br>4. Short-term Rating: Bank Deposits – Domestic Currency<br>5. Bank Financial Strength<br>6. Baseline Credit Assessment<br>7. Adjusted Baseline Credit Assessment | A3<br>P-2<br>A1<br>P-1<br>D+<br>ba1<br>baa1 | Positive<br>Stable<br>Stable |

# Directors' Report for the financial year ended 31 December 2014 (Continued)

## Board Shariah Committee

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

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

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

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

The members of the Board Shariah Committee are as follows:

1. Sheikh Associate Professor Dr. Mohamed Azam bin Mohamed Adil (appointed on 1 November 2014)
2. Sheikh Professor Dr. Mohammad Hashim Kamali
3. Sheikh Dr. Nedham Mohamed Saleh Yaqoobi
4. Sheikh Dr. Haji Mohd Na'im bin Haji Mokhtar
5. Sheikh Associate Professor Dr. Shafaai bin Musa
6. Sheikh Dr. Yousef Abdullah Al Shubaily
7. Professor Dr. Noor Inayah binti Yaakub
8. Sheikh Muhamad Taufik Ridlo (appointed on 1 April 2014)
9. Sheikh Dato' Professor Dr. Sudin bin Haron (appointed on 1 November 2014)

## Board Shariah Committee (Continued)

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

## Zakat obligations

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

## Significant events during the financial year

Significant events during the financial year are disclosed in Note 40 to the Financial Statements.

## Subsequent events after the financial year

There are no significant events subsequent to the financial year ended 31 December 2014.

## Statement of Directors' Responsibility

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

It is the responsibility of the Directors to ensure that the Financial Statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2014 and of the results and cash flows of the Group and the Bank for the financial year ended on that date.

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

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

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

## Ultimate holding company

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

# CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

# Directors' Report
# for the financial year ended 31 December 2014 (Continued)

## Statement of Directors' Responsibility (Continued)

### Auditors

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

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

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

**Badlisyah bin Abdul Ghani**
Director

Kuala Lumpur
9 March 2015

Company No: 671380-H

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

We, Datuk Dr. Syed Muhamad bin Syed Abdul Kadir and Badlisyah bin Abdul Ghani, being two of the Directors of CIMB Islamic Bank Berhad, state that, in the opinion of the Directors, the Financial Statements set out on pages 21 to 216 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2014 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

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

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

**Badlisyah bin Abdul Ghani**
Director

Kuala Lumpur
9 March 2015

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

I, Kim Kenny, being the person primarily responsible for the financial management of CIMB Islamic Bank Berhad, do solemnly and sincerely declare the Financial Statements set out on pages 21 to 216 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.

**Kim Kenny**

Subscribed and solemnly declared by the above named Kim Kenny at Kuala Lumpur before me, on 9 March 2015.

Commissioner for Oaths

PESURUHJAYA SUMPAH
No. W 521
MOHAN A.S. MANIAM
MALAYSIA

No. 50, Jalan Hang Lekiu,
50100 Kuala Lumpur.

# CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

## Board Shariah Committee's Report

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

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

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

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

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

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

# Board Shariah Committee's Report (Continued)

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

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

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal and external controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Bank has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us except for one incident of Shariah non-compliance incident within the Bank due to web banner advertisement failed to comply with Shariah requirement set by the Board Shariah Committee. There are no earnings that were derived from this incident. RM1,061.70 reflected in the financial statements represent Shariah Non-Compliance Income (SNCI) occurred in 2013.

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

1. Updating the Bank's procedures and processes in the affected activities to reflect the Shariah requirements.

2. Removed any elements that do not comply with Shariah requirements in the Bank's business communication immediately.

## Board Shariah Committee's Report (Continued)

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 2014 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.

# 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 2014 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee.

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

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

Kuala Lumpur
9 March 2015

# Independent Auditors' Report to the member of CIMB Islamic Bank Berhad

Company No: 671380-H
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the Financial Statements of CIMB Islamic Bank Berhad on pages 21 to 216, which comprise the statements of financial position as at 31 December 2014 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 46.

### 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.

pwc

# INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CIMB ISLAMIC BANK BERHAD (CONTINUED)

Company No: 671380-H
(Incorporated in Malaysia)

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 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

OTHER MATTERS

This report is made solely to the member of the Bank, 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 | DATO' MOHAMMAD FAIZ BIN MOHAMMAD AZMI |
| (No. AF: 1146) | (No. 2025/03/16 (J)) |
| Chartered Accountants | Chartered Accountant |

Kuala Lumpur
9 March 2015

# CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

# Statements of Financial Position
# as at 31 December 2014

| | | The Group | | The Bank | |
|---|---|---|---|---|---|
| | Note | **31 December 2014 RM'000** | 31 December 2013 RM'000 | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| **Assets** | | | | | |
| Cash and short-term funds | 2 | **5,134,659** | 6,983,561 | **5,134,612** | 6,983,515 |
| Deposits and placements with banks and other financial institutions | 3 | **218,934** | 163,318 | **218,934** | 163,318 |
| Financial assets held for trading | 4 | **3,536,650** | 3,168,537 | **3,536,650** | 3,168,537 |
| Financial investments available-for-sale | 5 | **2,023,922** | 1,288,106 | **2,023,922** | 1,288,106 |
| Financial investments held-to-maturity | 6 | **620,992** | 602,177 | **620,992** | 602,177 |
| Islamic derivative financial instruments | 7 | **263,865** | 246,800 | **263,865** | 246,800 |
| Financing, advances and other financing/loans | 8 | **36,299,580** | 35,072,564 | **36,299,580** | 35,072,564 |
| Other assets | 9 | **101,374** | 283,094 | **101,374** | 283,094 |
| Deferred taxation | 10 | **21,503** | 22,449 | **21,503** | 22,449 |
| Amount due from holding company | 12 | **106,783** | - | **106,783** | - |
| Amount due from related companies | 13 | **662** | 418 | **662** | 418 |
| Statutory deposits with Bank Negara Malaysia | 14 | **1,297,654** | 1,436,747 | **1,297,654** | 1,436,747 |
| Investment in subsidiaries | 15 | **-** | - | **20** | 20 |
| Property, plant and equipment | 16 | **10,124** | 5,236 | **10,124** | 5,236 |
| Intangible assets | 17 | **91,096** | 14,197 | **91,096** | 14,197 |
| Goodwill | 18 | **136,000** | 136,000 | **136,000** | 136,000 |
| **Total assets** | | **49,863,798** | 49,423,204 | **49,863,771** | 49,423,178 |
| **Liabilities** | | | | | |
| Deposits from customers | 19 | **41,328,044** | 38,466,874 | **41,328,044** | 38,466,874 |
| Deposits and placements of banks and other financial institutions | 20 | **3,644,713** | 6,571,911 | **3,644,713** | 6,571,911 |
| Subordinated Sukuk | 21 | **856,026** | 856,722 | **856,026** | 856,722 |
| Other liabilities | 22 | **297,254** | 287,768 | **297,254** | 287,768 |
| Financial liabilities designated at fair value | 11 | **149,835** | 146,216 | **149,835** | 146,216 |
| Islamic derivative financial instruments | 7 | **330,197** | 285,377 | **330,197** | 285,377 |
| Provision for tax and zakat | | **29,721** | 15,437 | **29,721** | 15,437 |
| Amount due to holding company | 12 | **-** | 115,538 | **-** | 115,538 |
| Amount due to related companies | 13 | **16,538** | 6,433 | **16,537** | 6,433 |
| **Total liabilities** | | **46,652,328** | 46,752,276 | **46,652,327** | 46,752,276 |
| **Capital and reserves attributable to equity holder of the Bank** | | | | | |
| Perpetual preference shares | 23 | **220,000** | 70,000 | **220,000** | 70,000 |
| Ordinary share capital | 24 | **1,000,000** | 1,000,000 | **1,000,000** | 1,000,000 |
| Reserves | 25 | **1,991,470** | 1,600,928 | **1,991,444** | 1,600,902 |
| **Total equity** | | **3,211,470** | 2,670,928 | **3,211,444** | 2,670,902 |
| **Total equity and liabilities** | | **49,863,798** | 49,423,204 | **49,863,771** | 49,423,178 |
| **Commitments and contingencies** | 38 | **28,238,559** | 27,126,133 | **28,238,559** | 27,126,133 |
| **Net assets per ordinary share attributable to owners of the Parent (RM)** | | **2.99** | 2.60 | **2.99** | 2.60 |

# CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

# Statements of Income
# for the financial year ended 31 December 2014

| | Note | The Group 2014 RM'000 | The Group 2013 RM'000 | The Bank 2014 RM'000 | The Bank 2013 RM'000 |
|---|---|---|---|---|---|
| Income derived from investment of depositors' funds and others | 26 | **2,059,159** | 2,102,924 | **2,059,159** | 2,102,924 |
| Income derived from investment of shareholder's funds | 27 | **281,134** | 263,487 | **281,134** | 263,463 |
| Allowances for losses on financing, advances and other financing/loans | 28 | **(100,306)** | (97,302) | **(100,306)** | (97,302) |
| Allowances for impairment losses on other receivables written-back/(made) | | **323** | (477) | **323** | (477) |
| Total distributable income | | **2,240,310** | 2,268,632 | **2,240,310** | 2,268,608 |
| Income attributable to depositors | 29 | **(1,226,746)** | (1,271,086) | **(1,226,746)** | (1,271,086) |
| Total net income | | **1,013,564** | 997,546 | **1,013,564** | 997,522 |
| Personnel costs | 30 | **(72,306)** | (84,398) | **(72,306)** | (84,398) |
| Other overheads and expenditures | 31 | **(415,094)** | (421,911) | **(415,094)** | (421,913) |
| Profit before taxation | | **526,164** | 491,237 | **526,164** | 491,211 |
| Taxation | 33 | **(134,816)** | (125,651) | **(134,816)** | (125,651) |
| Profit after taxation | | **391,348** | 365,586 | **391,348** | 365,560 |
| Earnings per share (sen) | | | | | |
| - basic | 34 | **39.13** | 36.56 | **39.13** | 36.56 |

# Statements of Comprehensive Income
# for the financial year ended 31 December 2014

| | The Group 2014 RM'000 | The Group 2013 RM'000 | The Bank 2014 RM'000 | The Bank 2013 RM'000 |
|---|---|---|---|---|
| Profit for the financial year | **391,348** | 365,586 | **391,348** | 365,560 |
| Other comprehensive (expense)/income : | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Revaluation reserve of financial investments available-for-sale | | | | |
| - Net gain/(loss) from change in fair value | **2,986** | (32,137) | **2,986** | (32,137) |
| - Realised gain transferred to statement of income on disposal | **(4,151)** | (19,027) | **(4,151)** | (19,027) |
| - Income tax effects | **291** | 12,791 | **291** | 12,791 |
| Total other comprehensive (expense)/income | **(874)** | (38,373) | **(874)** | (38,373) |
| Total comprehensive income for the financial year | **390,474** | 327,213 | **390,474** | 327,187 |

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Statements of Changes in Equity
# for the financial year ended 31 December 2014

**The Group**

| | Attributable to owners of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RM'000 | Perpetual preference shares RM'000 | Statutory reserve RM'000 | Revaluation reserve-financial investments available-for-sale RM'000 | Merger reserve RM'000 | Capital reserve RM'000 | Regulatory reserve RM'000 | Share-based payment reserve RM'000 | Retained profits RM'000 | Total RM'000 |
| At 1 January 2014 | 1,000,000 | 70,000 | 746,312 | (16,396) | (2,457) | 458 | 230,088 | 606 | 642,317 | 2,670,928 |
| Net profit for the financial year | - | - | - | - | - | - | - | - | 391,348 | 391,348 |
| - Financial investments available-for-sale | - | - | - | (874) | - | - | - | - | - | (874) |
| Total comprehensive expense for the financial year | - | - | - | (874) | - | - | - | - | 391,348 | 390,474 |
| Share-based payment expense | - | - | - | - | - | - | - | 687 | - | 687 |
| Transfer to statutory reserve | - | - | 97,837 | - | - | - | - | - | (97,837) | - |
| Transfer from regulatory reserve | - | - | - | - | - | - | (230,088) | - | 230,088 | - |
| Issuance of shares | - | 150,000 | - | - | - | - | - | - | - | 150,000 |
| Shares released under Equity Ownership Plan | - | - | - | - | - | - | - | (619) | - | (619) |
| As at 31 December 2014 | 1,000,000 | 220,000 | 844,149 | (17,270) | (2,457) | 458 | - | 674 | 1,165,916 | 3,211,470 |

Company No: 671380-H

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Statements of Changes in Equity
# for the financial year ended 31 December 2014 (Continued)

**The Group**

| | Attributable to owners of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RM'000 | Perpetual preference shares RM'000 | Statutory reserve RM'000 | Revaluation reserve-financial investments available-for-sale RM'000 | Merger reserve RM'000 | Capital reserve RM'000 | Regulatory reserve RM'000 | Share-based payment reserve RM'000 | Retained profits RM'000 | Total RM'000 |
| At 1 January 2013 | 1,000,000 | 70,000 | 654,922 | 21,977 | (2,457) | 458 | 242,624 | 335 | 355,585 | 2,343,444 |
| Net profit for the financial year | - | - | - | - | - | - | - | - | 365,586 | 365,586 |
| - Financial investments available-for-sale | - | - | - | (38,373) | - | - | - | - | - | (38,373) |
| Total comprehensive expense for the financial year | - | - | - | (38,373) | - | - | - | - | 365,586 | 327,213 |
| Share-based payment expense | - | - | - | - | - | - | - | 591 | - | 591 |
| Transfer to statutory reserve | - | - | 91,390 | - | - | - | - | - | (91,390) | - |
| Transfer from regulatory reserve | - | - | - | - | - | - | (12,536) | - | 12,536 | - |
| Shares released under Equity Ownership Plan | - | - | - | - | - | - | - | (320) | - | (320) |
| As at 31 December 2013 | 1,000,000 | 70,000 | 746,312 | (16,396) | (2,457) | 458 | 230,088 | 606 | 642,317 | 2,670,928 |

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Statements of Changes in Equity
# for the financial year ended 31 December 2014 (Continued)

**The Bank**

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

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Statements of Changes in Equity
# for the financial year ended 31 December 2014 (Continued)

| The Bank | Non-distributable | | | | | | | | Distributable | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RM'000 | Perpetual preference shares RM'000 | Statutory reserve RM'000 | Non-distributable Revaluation reserve-financial investments available-for-sale RM'000 | Merger reserve RM'000 | Capital reserve RM'000 | Regulatory reserve RM'000 | Share-based payment reserve RM'000 | Retained profits RM'000 | Total RM'000 |
| At 1 January 2013 | 1,000,000 | 70,000 | 654,922 | 21,977 | (2,457) | 458 | 242,624 | 335 | 355,585 | 2,343,444 |
| Net profit for the financial year | - | - | - | - | - | - | - | - | 365,560 | 365,560 |
| - Financial investments available-for-sale | - | - | - | (38,373) | - | - | - | - | - | (38,373) |
| Total comprehensive expense for the financial year | - | - | - | (38,373) | - | - | - | - | 365,560 | 327,187 |
| Share-based payment expense | - | - | - | - | - | - | - | 591 | - | 591 |
| Transfer to statutory reserve | - | - | 91,390 | - | - | - | - | - | (91,390) | - |
| Transfer from regulatory reserve | - | - | - | - | - | - | (12,536) | - | 12,536 | - |
| Shares released under Equity Ownership Plan | - | - | - | - | - | - | - | (320) | - | (320) |
| As at 31 December 2013 | 1,000,000 | 70,000 | 746,312 | (16,396) | (2,457) | 458 | 230,088 | 606 | 642,291 | 2,670,902 |

# CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

# Statements of Cash Flows
# for the financial year ended 31 December 2014

| | The Group | | The Bank | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Cash flows from operating activities** | | | | |
| Profit before taxation | **526,164** | 491,237 | **526,164** | 491,211 |
| **Adjustments for:** | | | | |
| Depreciation of property, plant and equipment | **3,389** | 1,771 | **3,389** | 1,771 |
| Amortisation of intangible assets | **10,106** | 3,140 | **10,106** | 3,140 |
| Profit income from financial investments available-for-sale | **(63,046)** | (93,966) | **(63,046)** | (93,966) |
| Profit income from financial investments held-to-maturity | **(31,594)** | (31,050) | **(31,594)** | (31,050) |
| Profit expense on subordinated Sukuk | **39,088** | 38,039 | **39,088** | 38,039 |
| Gain from disposal of financial investments available-for-sale | **(4,151)** | (19,028) | **(4,151)** | (19,028) |
| Loss on disposal of property, plant and equipment | **169** | 36 | **169** | 36 |
| Intangible asset written off | **170** | - | **170** | - |
| Net loss from hedging derivatives | **572** | 322 | **572** | 322 |
| Unrealised loss on foreign exchange | **59,912** | 118,856 | **59,912** | 118,856 |
| Unrealised loss from revaluation of financial assets held for trading | **96** | 3,461 | **96** | 3,461 |
| Unrealised gain on redemption of financial investments held-to-maturity | **-** | (285) | **-** | (285) |
| Unrealised gain arising from financial liabilities designated at fair value | **(105)** | (8,464) | **(105)** | (8,464) |
| Unrealised loss from revaluation of Islamic derivative financial instruments | **9,850** | 848 | **9,850** | 848 |
| Accretion of discount less amortisation of premium | **(92,804)** | (136,376) | **(92,804)** | (136,376) |
| Allowances for losses on financing, advances and other financing/loans | **144,785** | 144,797 | **144,785** | 144,797 |
| Allowances for impairment losses on other receivables | **(323)** | 477 | **(323)** | 477 |
| Share-based payment expense | **687** | 591 | **687** | 591 |
| | **602,965** | 514,406 | **602,965** | 514,380 |
| **(Increase)/decrease in operating assets** | | | | |
| Financing, advances and other financing/loans | **(1,355,077)** | (2,326,440) | **(1,355,077)** | (2,326,440) |
| Other assets | **181,423** | (29,010) | **181,423** | (29,010) |
| Statutory deposits with Bank Negara Malaysia | **139,093** | (332,650) | **139,093** | (332,650) |
| Deposits and placements with banks and other financial institutions | **(55,616)** | 438,017 | **(55,616)** | 438,017 |
| Financial assets held for trading | **(276,599)** | 3,085,431 | **(276,599)** | 3,085,431 |
| Amount due from holding company | **(106,783)** | - | **(106,783)** | - |
| Amount due from related company | **(244)** | 13 | **(244)** | 13 |
| **Increase/(decrease) in operating liabilities** | | | | |
| Deposits from customers | **2,861,170** | 3,198,975 | **2,861,170** | 3,198,975 |
| Deposits and placements from banks and other financial institutions | **(2,927,198)** | (5,088,817) | **(2,927,198)** | (5,088,817) |
| Financial liabilities designated at fair value | **3,724** | 154,680 | **3,724** | 154,680 |
| Islamic derivative financial instruments | **(517)** | 2,108 | **(517)** | 2,108 |
| Amount due to holding company | **(115,538)** | (182,814) | **(115,538)** | (182,814) |
| Amount due to related companies | **10,105** | 2,879 | **10,104** | 2,879 |
| Other liabilities | **(50,786)** | (228,810) | **(50,786)** | (228,810) |
| | **(1,089,878)** | (792,032) | **(1,089,879)** | (792,058) |
| Taxation paid | **(118,934)** | (118,395) | **(118,934)** | (118,395) |
| Net cash flows used in operating activities | **(1,208,812)** | (910,427) | **(1,208,813)** | (910,453) |

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Statements of Cash Flows for the financial year ended 31 December 2014 (Continued)

| | | The Group | | The Bank | |
|---|---|---|---|---|---|
| | Note | **2014** | 2013 | **2014** | 2013 |
| | | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Cash flows from investing activities** | | | | | |
| Net proceeds from (purchase)/sale of financial investments held-to-maturity | | **(17,121)** | 50,156 | **(17,121)** | 50,156 |
| Acquisition of subsidiaries, net of cash acquired | | **-** | - | **-** | (20) |
| Net proceeds from (purchase)/sale of financial investments available-for-sale | | **(724,787)** | 1,454,513 | **(724,787)** | 1,454,513 |
| Profit income received from financial investments available-for-sale | | **56,252** | 111,261 | **56,252** | 111,261 |
| Profit income received from financial investments held-to-maturity | | **30,275** | 31,301 | **30,275** | 31,301 |
| Purchase of property, plant and equipment | | **(8,446)** | (1,586) | **(8,446)** | (1,586) |
| Purchase of intangible assets | | **(87,175)** | (9,976) | **(87,175)** | (9,976) |
| Net cash flows (used in)/generated from investing activities | | **(751,002)** | 1,635,669 | **(751,002)** | 1,635,649 |
| **Cash flows from financing activities** | | | | | |
| Profit expense on subordinated Sukuk | | **(39,088)** | (38,010) | **(39,088)** | (38,010) |
| Issuance of preference shares | | **150,000** | - | **150,000** | - |
| Net cash flows generated from/(used in) financing activities | | **110,912** | (38,010) | **110,912** | (38,010) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,848,902)** | 687,232 | **(1,848,903)** | 687,186 |
| **Cash and cash equivalents at beginning of the financial year** | | **6,983,561** | 6,296,329 | **6,983,515** | 6,296,329 |
| **Cash and cash equivalents at end of the financial year** | 2 | **5,134,659** | 6,983,561 | **5,134,612** | 6,983,515 |

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014

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, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 43.

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## A Basis of preparation (Continued)

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

The new accounting standards and amendments to published standards that are effective and applicable to the Group and the Bank for the financial year beginning 1 January 2014 are as follows:

- Amendments to MFRS 10, MFRS 12 and MFRS 127 "Investment entities"
- Amendment to MFRS 132 "Financial instruments: Presentation" – Offsetting financial assets and financial liabilities
- Amendment to MFRS 139 "Financial instruments: recognition and measurement" – Novation of derivatives and continuation of hedge accounting
- IC Interpretation 21 "Levies"

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## A Basis of preparation (Continued)

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

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

(i) Financial year beginning on/after 1 January 2015

- Annual Improvements to MFRSs 2010-2012 Cycle (effective 1 January 2015)

  - Amendments to MFRS 2 Share-based Payment
    The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

  - MFRS 3 Business Combinations
    The amendment to MFRS 3 clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in MFRS 132 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss.

  - MFRS 8 Operating Segments
    The amendment to MFRS 8 requires disclosure of the judgment made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

  - MFRS 13 Fair Value Measurement
    The basis of conclusions of MFRS 13 is amended to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amount where the effect of discounting is immaterial.

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 2015 (Continued)

- Annual Improvements to MFRSs 2010-2012 Cycle (effective 1 January 2015) (Continued)

  - MFRS 124 Related Party Disclosures
    MFRS 124 is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or the parent of the reporting entity ('the management entity'). Disclosure of the amounts charged to the reporting entity is required.

- Annual Improvements to MFRSs 2011-2013 Cycle (effective 1 January 2015)

  - MFRS 3 Business Combinations
    The amendment to MFRS 3 clarifies that the standard does not apply to the accounting for the formation of any joint venture under MFRS 11.

  - MFRS 13 Fair Value Measurement
    The amendment to MFRS 13 clarifies that the portfolio exception in the standard applies to all contracts (including non-financial contracts) within the scope of MFRS 139 or MFRS 9.

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 2017

- MFRS 15 ‘Revenue from contracts with customers’ (effective from 1 January 2017) 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 standard replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations.

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

- MFRS 9 ‘Financial Instruments’ (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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):

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

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014. (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 income statement, unless this creates an accounting mismatch.

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## B Economic entities in the Group

### (a) Subsidiaries

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

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

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

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

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

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

In business combination achieved in stages, previously held equity interest in acquire are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in statement of income.

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 acquiree (if any), and the fair value of the Group's previously held equity interest in acquiree (if any), over the fair value of the acquiree's identifiable net assets acquired is recorded as goodwill. The accounting policy for goodwill is set out in Note K. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in statements of income on the acquisition date.

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

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

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

All material transactions and balances between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## B Economic entities in the Group (Continued)

### (b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of income. The fair value is 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 statements of income.

### (c) Interests in subsidiaries

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## C Recognition of profit income and profit expense

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

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

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

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

**(i) Bai' contracts**

<u>Murabahah</u>

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

<u>Bai' al-'inah</u>

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

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

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

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

<u>Tawarruq</u>

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

**(ii) Ijarah contracts**

<u>Ijarah</u>

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

**Deposits from customers**

<u>Wadiah (Yad Dhamanah)</u>

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

<u>Commodity Murabahah</u>

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

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

**Deposits from customers (Continued)**

Mudharabah

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

a) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.

b) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

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

Wakalah

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

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

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

Bai' Bithaman Ajil

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

Bai' al- Dayn

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

Qard

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

## D Recognition of fees and other income

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

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

### (b) Fee and other income recognition

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

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

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

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

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

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

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

## E Financial assets

### (a) Classification

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

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

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## E Financial assets (Continued)

### (a) Classification (Continued)

### (ii) Financing and receivables

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

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

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

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

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## E Financial assets (Continued)

### (b) Recognition and initial measurement

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

### (c) Subsequent measurement

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

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## E Financial assets (Continued)

### (c) Subsequent measurement (Continued)

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

### (d) Reclassification of financial assets

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

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities 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 profit rates for the securities reclassified to held-to-maturity category are determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective profit rates.

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

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

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

## F Financial liabilities

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

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

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

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

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

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## F Financial liabilities (Continued)

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

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

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

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

### (b) Financial liabilities at amortised cost

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

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

## G Derecognition of financial assets and financial liabilities

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## H Offsetting financial instruments

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

## I Impairment of financial assets

### (a) Assets carried at amortised cost

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

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

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

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

## I Impairment of financial assets (Continued)

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

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

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

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

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

### (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.

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## I Impairment of financial assets (Continued)

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

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.

## J Property, plant and equipment

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

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

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## J 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 other operating income.

## K Intangible assets

### (a) Goodwill

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

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## K Intangible assets (Continued)

### (b) Other intangible assets

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

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

| | |
|---|---|
| Computer software | 3 – 15 years |

## L Assets purchased under lease

### (a) Finance lease

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

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

### (b) Operating lease

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## M Assets sold under lease

### (a) Finance lease

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

### (b) Operating lease

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

## N Derivative financial instruments and hedge accounting

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

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

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

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

### (a) Fair value hedge

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

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

### (b) Cash flow hedge

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

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

### (c) Net investment hedge

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

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

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

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

## O Currency translations

### (a) Functional and presentation currency

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

### (b) Foreign currency transactions and balances

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

## O Currency translations (Continued)

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

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

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

## P Income and deferred taxes

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

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

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

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## P Income and deferred taxes (Continued)

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

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

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

## Q Share capital

### (a) Classification

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

### (b) Share issue costs

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

### (c) Dividends

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## R Employee benefits

### (a) Short-term employee benefits

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

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

### (b) Post employment benefits

*Defined contribution plans*

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

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

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## R Employee benefits (Continued)

### (d) Termination benefits

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

### (e) Bonus plans

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

### (f) Share-based compensation benefits

*Employee Ownership Plan ("EOP")*

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## S Impairment of non-financial assets

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

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

## T Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## U Financial guarantee contracts

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

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

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

## V Cash and cash equivalents

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

## W Segment reporting

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

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

# Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)

## X Contingent assets and contingent liabilities

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

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

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

## Y Restricted Profit Sharing Investment Accounts ("RPSIA")

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

# Notes to the Financial Statements for the financial year ended 31 December 2014

## 1 General information

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

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

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

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

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

## 2 Cash and short-term funds

| | The Group | | The Bank | |
|---|---|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Cash and balances with banks and other financial institutions | **266,808** | 276,793 | **266,761** | 276,747 |
| Money at call and deposit placements maturing within one month | **4,867,851** | 6,706,768 | **4,867,851** | 6,706,768 |
| | **5,134,659** | 6,983,561 | **5,134,612** | 6,983,515 |

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

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Licensed banks | **218,934** | 163,318 |

## 4 Financial assets held for trading

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| **Money market instruments** | | |
| **Unquoted:** | | |
| Malaysian Government treasury bills | **14,826** | - |
| Bank Negara monetary notes | **2,235,535** | 2,184,340 |
| Islamic negotiable instruments of deposits | **992,580** | 748,368 |
| Government Investment Issues | **12,885** | 27,647 |
| | **3,255,826** | 2,960,355 |
| **Unquoted securities:** | | |
| In Malaysia | | |
| Private debt securities | **210,789** | 208,182 |
| Outside Malaysia | | |
| Private debt securities | **70,035** | - |
| | **3,536,650** | 3,168,537 |

## 5 Financial investments available-for-sale

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| **Money market instruments** | | |
| **Unquoted:** | | |
| Government Investment Issues | **315,897** | 377,791 |
| Islamic Cagamas bonds | **8,504** | 25,491 |
| Malaysian Government Sukuk | **19,750** | 34,793 |
| Khazanah bonds | **70,214** | - |
| | **414,365** | 438,075 |
| **Unquoted securities:** | | |
| In Malaysia | | |
| Private debt securities | **1,525,393** | 839,027 |
| Placement with Islamic Banking and Finance Institute Malaysia | **575** | 575 |
| | **1,525,968** | 839,602 |
| Outside Malaysia | | |
| Private debt securities | **83,589** | 10,429 |
| | **2,023,922** | 1,288,106 |

## 6 Financial investments held-to-maturity

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| **Money market instruments** | | |
| **Unquoted:** | | |
| Government Investment Issue | **7,569** | - |
| Khazanah bonds | **12,662** | - |
| | **20,231** | - |
| **Unquoted securities:** | | |
| In Malaysia | | |
| Private debt securities | **600,386** | 602,177 |
| Accretion of discount net of amortisation of premium | **375** | - |
| | **620,992** | 602,177 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 7 Islamic derivative financial instruments

### Islamic derivative financial instruments

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

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

| | The Group and the Bank | | | | | |
|---|---|---|---|---|---|---|
| | **31 December 2014** | | | 31 December 2013 | | |
| | **Principal amount** | **Fair values Assets** | **Fair values Liabilities** | Principal amount | Fair values Assets | Fair values Liabilities |
| | **RM'000** | **RM'000** | **RM'000** | RM'000 | RM'000 | RM'000 |
| Trading derivatives | | | | | | |
| Foreign exchange derivatives | | | | | | |
| Currency forwards | **919,232** | **42,422** | **(22,544)** | 1,311,116 | 30,226 | (5,215) |
| Currency swaps | **2,727,683** | **36,895** | **(38,700)** | 2,891,198 | 30,675 | (29,390) |
| Currency spot | **21,488** | **10** | **(12)** | 8,625 | 10 | (5) |
| Currency option | **-** | **-** | **-** | 27,230 | 93 | (93) |
| Cross currency profit rate swaps | **1,050,230** | **70,333** | **(69,932)** | 834,259 | 37,104 | (36,600) |
| | **4,718,633** | **149,660** | **(131,188)** | 5,072,428 | 98,108 | (71,303) |
| Profit rate derivatives | | | | | | |
| Islamic profit rate swaps | **9,548,143** | **70,369** | **(67,567)** | 8,360,308 | 89,938 | (85,548) |
| Equity related derivatives | | | | | | |
| Equity options | **580,161** | **13,611** | **(13,611)** | 641,323 | 13,513 | (13,513) |
| Credit related contracts | | | | | | |
| Total return swaps | **113,800** | **752** | **(752)** | 115,960 | 586 | (586) |
| Hedging derivatives | | | | | | |
| Islamic profit rate swaps | **6,916,136** | **29,473** | **(117,079)** | 6,930,427 | 44,655 | (114,427) |
| Total derivative assets/(liabilities) | **21,876,873** | **263,865** | **(330,197)** | 21,120,446 | 246,800 | (285,377) |

## 7 Islamic derivative financial instruments (Continued)

### Islamic derivative financial instruments (Continued)

### Fair value hedge

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

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

| | **The Group and the Bank** | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| (Loss)/gain on hedging instruments | **(18,422)** | 176,547 |
| Gain/(loss) on the hedged items attributable to the hedged risk | **17,850** | (176,869) |

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 8 Financing, advances and other financing/loans

(i) By type and Shariah contracts:

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

| | The Group and the Bank | | | | |
|---|---|---|---|---|---|
| **31 December 2013** | **Bai'** | **Ijarah** | **Qard** | **Others** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Cash line^ | 476,126 | - | 2,006 | - | 478,132 |
| Term financing | | | | | |
| - House financing | 8,730,311 | 435,622 | - | - | 9,165,933 |
| - Syndicated financing | 276,330 | 226,666 | - | - | 502,996 |
| - Hire purchase receivables | - | 6,288,975 | - | - | 6,288,975 |
| - Other term financing | 15,714,558 | 609,684 | - | - | 16,324,242 |
| Bills receivable | 2,885 | - | - | - | 2,885 |
| Islamic trust receipts | 25,934 | - | - | - | 25,934 |
| Claims on customer under Islamic accepted bills | 370,754 | - | - | - | 370,754 |
| Credit card receivables | - | - | - | 104,449 | 104,449 |
| Revolving credits | 2,157,033 | - | - | - | 2,157,033 |
| Share purchase financing | 16,441 | - | - | - | 16,441 |
| Ar Rahnu | - | - | - | 892 | 892 |
| Gross financing, advances and other financing/loans | 27,770,372 | 7,560,947 | 2,006 | 105,341 | 35,438,666 |
| Fair value changes arising from fair value hedges | | | | | 40,548 |
| Less : Allowance for impairment losses | | | | | |
| - Individual impairment allowance | | | | | (29,801) |
| - Portfolio impairment allowance | | | | | (376,849) |
| Total net financing, advances and other financing/loans | | | | | 35,072,564 |

^ Includes current account in excess

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

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

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

(a) The Group and the Bank has undertaken fair value hedge on the profit rate risk of RM6,350 million (2013: RM6,350 million) financing using Islamic profit rate swaps.

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Gross financing hedged | **6,350,000** | 6,350,000 |
| Fair value changes arising from fair value hedges | **57,272** | 40,548 |
| | **6,407,272** | 6,390,548 |

The fair value loss on Islamic profit rate swaps in this hedge transaction as at 31 December 2014 is RM83 million (2013: RM67 million).

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

As at 31 December 2014, the gross exposures to RPSIA financing is RM2,099 million (2013: RM2,476 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM6.4 million (2013: RM11.3 million) is recognised in the Financial Statements of CIMB Bank Berhad. There was no individual impairment provided on this RPSIA financing.

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

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

(c) Movement of Qard financing

| | The Group and the Bank | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| As at 1 January | **2,006** | 4,594 |
| New disbursement | **10,067** | 1,571 |
| Repayment | **(1,796)** | (4,159) |
| As at 31 December | **10,277** | 2,006 |
| Sources of Qard fund: | | |
| Depositors' fund | **9,665** | 1,886 |
| Shareholders' fund | **612** | 120 |
| | **10,277** | 2,006 |
| Uses of Qard fund: | | |
| Personal use | **1,156** | 410 |
| Business purpose | **9,121** | 1,596 |
| | **10,277** | 2,006 |

(ii) By geographical distribution:

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014** | 31 December 2013 |
| | **RM'000** | RM'000 |
| Malaysia | **36,628,451** | 35,438,666 |

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

(iii) By type of customer:

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Domestic non-bank financial institutions | **1,744,023** | 1,505,087 |
| Domestic business enterprises | | |
| - Small medium enterprises | **5,072,522** | 1,906,985 |
| - Others | **2,814,822** | 5,095,000 |
| Government and statutory bodies | **6,773,484** | 6,746,098 |
| Individuals | **19,990,768** | 19,920,730 |
| Other domestic entities | **48,331** | 31,022 |
| Foreign entities | **184,501** | 233,744 |
| | **36,628,451** | 35,438,666 |

(iv) By profit rate sensitivity:

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Fixed rate | | |
| - house financing | **169,414** | 225,098 |
| - hire purchase receivables | **5,298,240** | 6,288,975 |
| - others | **11,101,995** | 12,016,056 |
| Variable rate | | |
| - house financing | **9,730,571** | 8,940,835 |
| - others | **10,328,231** | 7,967,702 |
| | **36,628,451** | 35,438,666 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

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

(v) By economic purpose:

| | **The Group and the Bank** | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Personal use | **2,903,936** | 3,171,403 |
| Credit card | **111,918** | 104,449 |
| Construction | **1,698,211** | 1,929,558 |
| Residential property | **10,038,277** | 9,214,629 |
| Non-residential property | **3,573,649** | 3,206,670 |
| Purchase of fixed assets other than land and building | **199,445** | 270,074 |
| Purchase of securities | **584,113** | 21,839 |
| Purchase of transport vehicles | **5,349,838** | 6,346,225 |
| Working capital | **9,164,677** | 8,225,496 |
| Merger and acquisition | **934** | 1,243 |
| Other purpose | **3,003,453** | 2,947,080 |
| | **36,628,451** | 35,438,666 |

(vi) By residual contractual maturity:

| | **The Group and the Bank** | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Within one year | **3,561,476** | 3,308,386 |
| One year to less than three years | **1,518,090** | 1,162,098 |
| Three years to less than five years | **6,924,314** | 5,259,909 |
| Five years and more | **24,624,571** | 25,708,273 |
| | **36,628,451** | 35,438,666 |

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

(vii) Impaired financing by economic purpose:

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Personal use | **31,233** | 25,081 |
| Credit cards | **2,922** | 2,285 |
| Construction | **46,896** | 1,312 |
| Residential property | **89,243** | 76,714 |
| Non-residential property | **33,429** | 29,202 |
| Purchase of fixed assets other than land and building | **883** | 1,682 |
| Purchase of securities | **200** | 223 |
| Purchase of transport vehicles | **145,510** | 100,454 |
| Working capital | **68,039** | 64,953 |
| Other purpose | **39,506** | 8,245 |
| | **457,861** | 310,151 |

(viii) Impaired financings by geographical distribution:

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Malaysia | **457,861** | 310,151 |

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

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

| | The Group and the Bank | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| At 1 January | **310,151** | 304,128 |
| Classified as impaired during the financial year | **769,607** | 414,409 |
| Reclassified as non-impaired during the financial year | **(355,337)** | (175,388) |
| Amount written back in respect of recoveries | **(103,631)** | (85,628) |
| Amount written off | **(162,929)** | (147,370) |
| At 31 December | **457,861** | 310,151 |
| Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans | **1.25%** | 0.88% |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

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

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

| | The Group and the Bank | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Individual impairment allowance** | | |
| At 1 January | **29,801** | 60,925 |
| Net allowance made/(written back) during the financial year | **19,017** | (20,744) |
| Amount written off | **(9,105)** | (10,380) |
| At 31 December | **39,713** | 29,801 |

| | The Group and the Bank | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Portfolio impairment allowance** | | |
| At 1 January | **376,849** | 347,704 |
| Net allowance made during the financial year | **123,405** | 163,420 |
| Transfer from intercompany | - | 2,715 |
| Amount written off | **(153,824)** | (136,990) |
| At 31 December | **346,430** | 376,849 |
| Portfolio impairment allowance as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance | **1.24%** | 2.30% |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 9 Other assets

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Deposits and prepayments | **4,085** | 3,983 |
| Sundry debtors | **34,338** | 36,789 |
| Credit Support Annex for derivative transactions | **57,150** | 58,230 |
| Clearing accounts | **5,801** | 184,092 |
| | **101,374** | 283,094 |

## 10 Deferred taxation

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

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Deferred tax assets | **22,917** | 25,931 |
| Deferred tax liabilities | **(1,414)** | (3,482) |
| | **21,503** | 22,449 |

Further breakdown are as follows:

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Portfolio impairment allowance for impaired financing | **118** | 45 |
| Excess of capital allowance over depreciation | **(1,414)** | (3,482) |
| Revaluation reserve-Financial investments available-for-sale | **5,756** | 5,465 |
| Provision for expenses | **17,043** | 20,421 |
| Deferred tax assets | **21,503** | 22,449 |

## 10 Deferred taxation (Continued)

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

**The Group and the Bank**

| Deferred tax assets/(liabilities) | Portfolio impairment allowance for impaired financing RM'000 | Excess of capital allowance over depreciation RM'000 | Revaluation reserve - financial investments available-for-sale RM'000 | Provision for expenses RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **The Group and the Bank** | | | | | |
| **At 1 January 2014** | **45** | **(3,482)** | **5,465** | **20,421** | **22,449** |
| **Credited/(charged) to statement of income (Note 33)** | **73** | **2,068** | **-** | **(3,378)** | **(1,237)** |
| **Transferred to equity** | **-** | **-** | **291** | **-** | **291** |
| **At 31 December 2014** | **118** | **(1,414)** | **5,756** | **17,043** | **21,503** |
| **The Group and the Bank** | | | | | |
| At 1 January 2013 | 78 | (2,234) | (7,326) | 20,213 | 10,731 |
| Credited/(charged) to statement of income (Note 33) | (33) | (1,247) | - | 208 | (1,072) |
| Over provision in prior year | - | (1) | - | - | (1) |
| Transferred to equity | - | - | 12,791 | - | 12,791 |
| At 31 December 2013 | 45 | (3,482) | 5,465 | 20,421 | 22,449 |

## 11 Financial liabilities designated at fair value

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Deposits from customers - structured investments | **149,835** | 146,216 |

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

The carrying amount of financial liabilities designated at fair value of the Group and the Bank as at 31 December 2014 were RM8,551,000 (2013: RM8,464,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

## 12 Amount due from/(to) holding company

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Amounts due from : | | |
| - holding company | **106,783** | - |
| Amounts due to : | | |
| - holding company | **-** | (115,538) |

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

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

| | The Group | | The Bank | |
|---|---|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Amounts due from : | | | | |
| - related companies | **662** | 418 | **662** | 418 |
| Amounts due to : | | | | |
| - related companies | **(16,538)** | (6,433) | **(16,537)** | (6,433) |

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

## 14 Statutory deposits with Bank Negara Malaysia

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Statutory deposit with Bank Negara Malaysia | **1,297,654** | 1,436,747 |

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

## 15 Investment in subsidiaries

| | The Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Unquoted shares, at cost | **20** | 20 |

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

| | | Percentage of equity held directly by the Bank | |
|---|---|---|---|
| **Name** | **Principal activities** | **31 December 2014 %** | 31 December 2013 % |
| CIMB Islamic Nominees (Tempatan) Sdn. Bhd. | Nominee services | **100** | 100 |
| CIMB Islamic Nominees (Asing) Sdn. Bhd. | Nominee services | **100** | 100 |

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 16 Property, plant and equipment

| 2014 | Renovations, office and plant equipment, furniture and fittings RM'000 | Motor vehicles RM'000 | Computer equipment RM'000 | Total RM'000 |
|---|---|---|---|---|
| **The Group and the Bank** | | | | |
| **Cost** | | | | |
| At 1 January | **2,610** | **3,571** | **3,323** | **9,504** |
| Additions | **32** | **318** | **8,096** | **8,446** |
| Disposals | **(23)** | **(491)** | **(94)** | **(608)** |
| At 31 December | **2,619** | **3,398** | **11,325** | **17,342** |
| **Accumulated depreciation** | | | | |
| At 1 January | **1,015** | **1,227** | **2,026** | **4,268** |
| Charge for the financial year | **484** | **637** | **2,268** | **3,389** |
| Disposals | **(23)** | **(322)** | **(94)** | **(439)** |
| At 31 December | **1,476** | **1,542** | **4,200** | **7,218** |
| **Net book value at 31 December** | **1,143** | **1,856** | **7,125** | **10,124** |

| 2013 | Note | Renovations, office and plant equipment, furniture and fittings RM'000 | Motor vehicles RM'000 | Computer equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **The Group and the Bank** | | | | | |
| **Cost** | | | | | |
| At 1 January | | 1,925 | 3,247 | 2,848 | 8,020 |
| Additions | | 685 | 393 | 508 | 1,586 |
| Disposals | | - | (69) | - | (69) |
| Reclassified to intangible assets | 17 | - | - | (33) | (33) |
| At 31 December | | 2,610 | 3,571 | 3,323 | 9,504 |
| **Accumulated depreciation** | | | | | |
| At 1 January | | 561 | 814 | 1,155 | 2,530 |
| Charge for the financial year | | 454 | 446 | 871 | 1,771 |
| Disposals | | - | (33) | - | (33) |
| At 31 December | | 1,015 | 1,227 | 2,026 | 4,268 |
| **Net book value at 31 December** | | 1,595 | 2,344 | 1,297 | 5,236 |

## 17 Intangible assets

| | Note | The Group and the Bank 2014 RM'000 | 2013 RM'000 |
|---|---|---|---|
| **Computer software** | | | |
| **Cost** | | | |
| At 1 January | | **34,382** | 24,373 |
| Additions | | **87,175** | 9,976 |
| Written off | | **(170)** | - |
| Reclassified from property, plant and equipment | 16 | **-** | 33 |
| At 31 December | | **121,387** | 34,382 |
| **Amortisation** | | | |
| At 1 January | | **20,185** | 17,045 |
| Amortisation for the financial year | | **10,106** | 3,140 |
| At 31 December | | **30,291** | 20,185 |
| **Net book value at 31 December** | | **91,096** | 14,197 |

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

Computer Software 1-15 years

The above intangible assets include computer software under construction at cost of the Group and the Bank of RM422,760 (2013: RM249,457).

## 18 Goodwill

| | The Group and the Bank | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Cost** | | |
| At 1 January/At 31 December | **136,000** | 136,000 |

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

**Impairment test for goodwill**

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2015 financial budgets approved by the Board of Directors, projected for five years based on the average terminal historical Gross Domestic Product (“GDP”) growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 5.00% (2013: 5.00%). The cash flow projections are derived based on a number of key factors including the past performance and management’s expectation of market developments. The discount rate used in determining the recoverable amount of all the CGU is 7.04% (2013: 6.55%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

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

**Impairment charge**

There was no impairment charge for the financial year ended 31 December 2014 and 31 December 2013.

# CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 19 Deposits from customers

(i) By type of deposits

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| a) Savings deposit | **2,202,778** | 1,905,402 |
| Wadiah | **2,202,778** | 1,330,874 |
| Mudharabah | **-** | 574,528 |
| b) Demand deposit | **7,901,001** | 8,086,544 |
| Wadiah | **7,101,583** | 3,293,989 |
| Qard | **61,320** | 11,854 |
| Mudharabah | **738,098** | 4,780,701 |
| c) Term deposit | **31,205,378** | 28,449,501 |
| Commodity Murabahah | **21,420,321** | 5,397,061 |
| Islamic negotiable instruments | **2,563,732** | 5,934,040 |
| Mudharabah | **389,915** | 414,592 |
| Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn) | **2,173,817** | 5,519,448 |
| Short term money market deposit - i | **5,093,512** | 14,331,913 |
| Wakalah | **5,093,512** | 14,331,913 |
| Fixed Deposit-i | **617,170** | 527,377 |
| Wakalah | **608,700** | 507,007 |
| Wadiah | **8,470** | 20,370 |
| General investment account | **1,336,037** | 2,083,240 |
| Mudharabah | **1,336,037** | 2,083,240 |
| Specific investment account | **174,606** | 175,870 |
| Mudharabah | **174,606** | 175,455 |
| Murabahah | **-** | 415 |
| d) Others | **18,887** | 25,427 |
| Qard | **18,887** | 25,427 |
| | **41,328,044** | 38,466,874 |

## 19 Deposits from customers (Continued)

(i) By type of deposits (Continued)

The maturity structure of term deposit is as follows:

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Due within six months | **29,668,807** | 27,273,049 |
| Six months to one year | **986,768** | 553,838 |
| One year to three years | **380,679** | 67,032 |
| Three years to five years | **436** | 383,128 |
| More than five years | **168,688** | 172,454 |
| | **31,205,378** | 28,449,501 |

(ii) By type of customers

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Government and statutory bodies | **3,737,245** | 4,827,079 |
| Business enterprises | **16,365,739** | 16,344,695 |
| Individuals | **5,400,206** | 4,214,843 |
| Others | **15,824,854** | 13,080,257 |
| | **41,328,044** | 38,466,874 |

## 20 Deposits and placements of banks and other financial institutions

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Licensed Islamic banks | **251,990** | 390,292 |
| Licensed investment banks | **201,122** | 230 |
| Licensed banks | **3,009,744** | 6,145,278 |
| Bank Negara Malaysia | **29,384** | - |
| Other financial institutions | **152,473** | 36,111 |
| | **3,644,713** | 6,571,911 |

Included in the deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by CIMB Bank Berhad amounting to RM2,090 million (2013: RM2,469 million) for tenures between 1 month to 3 months at indicative profit rates from 3.38% to 3.96% per annum (2013 : 3.33% to 3.64% tenures between 1 month to 6 months). These deposits are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

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

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Due within six months | **3,644,713** | 6,066,486 |
| Six months to one year | **-** | 505,425 |
| | **3,644,713** | 6,571,911 |

## 21 Subordinated Sukuk

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Subordinated Sukuk-RM850 million | **856,026** | 856,722 |

The RM850 million unsecured subordinated Sukuk ("the Sukuk") is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, the Bank is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

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

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

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 21 Subordinated Sukuk (Continued)

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

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Subordinated Sukuk, at cost | **250,000** | 250,000 |
| Fair value changes arising from fair value hedges | **644** | 2,436 |
| Profit payable | **2,077** | 2,077 |
| | **252,721** | 254,513 |

The fair value gain of Islamic profit rate swaps in this hedge transaction as at 31 December 2014 was RM808,493 (2013: RM2,881,581).

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

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Subordinated Sukuk, at cost | **300,000** | 300,000 |
| Fair value changes arising from fair value hedges | **(4,927)** | (6,023) |
| Profit payable | **3,481** | 3,481 |
| | **298,554** | 297,458 |

The fair value loss of Islamic profit rate swaps in this hedge transaction as at 31 December 2014 was RM5,233,159 (2013: RM5,864,579).

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 22 Other liabilities

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Accruals and other payables | **63,025** | 76,281 |
| Clearing accounts | **223,067** | 195,545 |
| Others | **11,162** | 15,942 |
| | **297,254** | 287,768 |

## 23 Perpetual preference shares

| | The Group and the Bank | |
|---|---|---|
| | **2014 RM'000** | 2013 RM'000 |
| **Authorised** | | |
| **Perpetual preference shares of RM1.00 each** | | |
| At 1 January | **100,000** | 100,000 |
| Issued during the financial year | **300,000** | - |
| At 31 December | **400,000** | 100,000 |
| **Issued and fully paid** | | |
| **Perpetual preference shares of RM1.00 each** | | |
| At 1 January | **70,000** | 70,000 |
| Issued during the financial year | **150,000** | - |
| At 31 December | **220,000** | 70,000 |

On 31 March 2014, the Bank had issued additional RM150 million of Basel III Compliant Perpetual Shares of RM1 each for the purpose of the Tier 1 capital ratio and Total capital ratio computation.

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

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

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

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

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

## 24 Ordinary share capital

| | The Group and the Bank | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Authorised** | | |
| **Ordinary shares of RM1.00 each:** | | |
| At 1 January/31 December | **1,400,000** | 1,400,000 |
| **Issued and fully paid** | | |
| **Ordinary shares of RM1.00 each:** | | |
| At 1 January/31 December | **1,000,000** | 1,000,000 |

## 25 Reserves

(a) The statutory reserve is maintained in compliance with BNM's guidelines and is not distributable as cash dividend.

(b) Merger reserves, which are non-distributable, relate to the difference between the cost of the merger between the Bank and the Islamic banking operation of CIMB Bank Berhad, and the value of the net assets and reserves transferred to the Bank.

(c) Capital reserves, which are non-distributable, relate to the retained earnings of the Islamic banking business of CIMB Bank Berhad which were transferred to the Bank, arising from the business combination under common control using the predecessor basis of accounting in the financial year 2007.

(d) Regulatory reserves are maintained as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.

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

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

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

| | | The Group and the Bank | |
|---|---|---|---|
| | | **31 December** | 31 December |
| | | **2014** | 2013 |
| | **Note** | **RM'000** | RM'000 |
| Income derived from investment of: | | | |
| - General investment deposits | (i) | **1,047,535** | 968,048 |
| - Specific investment deposits | (ii) | **91,033** | 89,121 |
| - Other deposits | (iii) | **920,591** | 1,045,755 |
| | | **2,059,159** | 2,102,924 |

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

| | The Group and the Bank | |
|---|---|---|
| | **31 December** | 31 December |
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Financing, advances and other financing/loans: | | |
| - Profit income | **851,636** | 770,438 |
| - Unwinding income* | **3,816** | 3,048 |
| Financial assets held for trading | **13,634** | 16,194 |
| Financial investments available-for-sale | **32,232** | 43,197 |
| Financial investments held-to-maturity | **15,918** | 14,228 |
| Money at call and deposit with financial institutions | **115,285** | 84,646 |
| | **1,032,521** | 931,751 |
| Accretion of discount less amortisation of premium | **47,606** | 62,541 |
| Total finance income and hibah | **1,080,127** | 994,292 |
| Other operating income | | |
| Net gain/(loss) from financial assets held for trading: | | |
| - realised | **451** | 18,960 |
| - unrealised | **75** | (1,598) |
| Net gain from sale of financial investments available-for-sale | **2,131** | 8,667 |
| Net gain on redemption of financial investments held-to-maturity | **-** | 135 |
| Net loss from foreign exchange transactions | **(38,382)** | (54,239) |
| | **(35,725)** | (28,075) |
| Fee and commission income | **3,133** | 1,831 |
| | **1,047,535** | 968,048 |

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 26 Income derived from investment of depositors' fund and others (Continued)

### (ii) Income derived from specific investment deposits

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Financing, advances and other financing/loans: | | |
| - Profit income | **69,486** | 64,763 |
| Money at call and deposit with financial institutions | **21,547** | 24,358 |
| | **91,033** | 89,121 |

### (iii) Income derived from investment of other deposits

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Financing, advances and other financing/loans: | | |
| - Profit income | **737,781** | 832,249 |
| - Unwinding income* | **3,296** | 3,302 |
| Financial assets held for trading | **11,691** | 17,347 |
| Financial investments available-for-sale | **27,111** | 46,358 |
| Financial investments held-to-maturity | **13,825** | 15,362 |
| Money at call and deposit with financial institutions | **100,548** | 92,213 |
| | **894,252** | 1,006,831 |
| Accretion of discount less amortisation of premium | **39,745** | 67,310 |
| Total finance income and hibah | **933,997** | 1,074,141 |
| Other operating income | | |
| Net gain/(loss) from financial assets held for trading: | | |
| - realised | **339** | 20,579 |
| - unrealised | **(168)** | (1,699) |
| Net gain from sale of financial investments available-for-sale | **1,776** | 9,473 |
| Net gain on redemption of financial investments held-to-maturity | **-** | 137 |
| Net loss from foreign exchange transactions | **(18,017)** | (58,880) |
| | **(16,070)** | (30,390) |
| Fees and commission income | **2,664** | 2,004 |
| | **920,591** | 1,045,755 |

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 27 Income derived from investment of shareholder's fund

| | The Group | | The Bank | |
|---|---|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Financing, advances and other financing/loans: | | | | |
| - Profit income | **98,825** | 79,096 | **98,825** | 79,096 |
| - Unwinding income* | **443** | 313 | **443** | 313 |
| Financial assets held for trading | **1,577** | 1,654 | **1,577** | 1,654 |
| Financial investments available-for-sale | **3,703** | 4,411 | **3,703** | 4,411 |
| Financial investments held-to-maturity | **1,851** | 1,460 | **1,851** | 1,460 |
| Money at call and deposits with financial institutions | **13,404** | 8,737 | **13,404** | 8,737 |
| | **119,803** | 95,671 | **119,803** | 95,671 |
| Accretion of discount less amortisation of premium | **5,453** | 6,525 | **5,453** | 6,525 |
| Total finance income and hibah | **125,256** | 102,196 | **125,256** | 102,196 |
| Other operating income | | | | |
| Net gain/(loss) from financial assets held for trading: | | | | |
| - realised | **49** | 2,013 | **49** | 2,013 |
| - unrealised | **(3)** | (164) | **(3)** | (164) |
| Net gain from sale of financial investments available-for-sale | **244** | 888 | **244** | 888 |
| Net gain on redemption of financial investments held-to-maturity | **-** | 14 | **-** | 14 |
| Net loss from foreign exchange transactions | **(3,586)** | (5,737) | **(3,586)** | (5,737) |
| Net loss from hedging activities | **(572)** | (322) | **(572)** | (322) |
| Net gain/(loss) from derivative financial instruments: | | | | |
| - realised | **70,964** | 92,914 | **70,964** | 92,914 |
| - unrealised | **(9,850)** | (848) | **(9,850)** | (848) |
| Net gain/(loss) arising from financial liabilities designated at fair value | | | | |
| - realised | **(287)** | (1,572) | **(287)** | (1,572) |
| - unrealised | **105** | 8,464 | **105** | 8,464 |
| | **57,064** | 95,650 | **57,064** | 95,650 |
| Fees and commission income | **98,359** | 63,120 | **98,359** | 63,120 |
| Less : Fee and commission expense | **(3,970)** | (1,417) | **(3,970)** | (1,417) |
| Net fees and commision income | **94,389** | 61,703 | **94,389** | 61,703 |
| Other income: | | | | |
| - Sundry income | **4,425** | 3,938 | **4,425** | 3,914 |
| | **281,134** | 263,487 | **281,134** | 263,463 |

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

## 28 Allowances for losses on financing, advances and other financing/loans

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Individual impairment allowance: | | |
| - made/(written back) during the financial year | **19,017** | (20,744) |
| Portfolio impairment allowance: | | |
| - net allowance made during the financial year | **123,405** | 163,420 |
| Bad debts on financing: | | |
| - recovered | **(44,479)** | (47,495) |
| - written off | **2,363** | 2,121 |
| | **100,306** | 97,302 |

## 29 Income attributable to depositors

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Deposits from customers: | | |
| - Mudharabah | **107,699** | 126,983 |
| - Non-Mudharabah | **918,874** | 769,831 |
| - Financial liabilities designated at fair value | **7,020** | 4,518 |
| Deposits and placements of banks and other financial institutions: | | |
| - Mudharabah | **89,774** | 97,154 |
| - Non-Mudharabah | **64,291** | 234,561 |
| Others | **39,088** | 38,039 |
| | **1,226,746** | 1,271,086 |

## 30 Personnel costs

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Salaries, allowances and bonuses | **62,245** | 74,184 |
| Pension costs (defined contribution plan) | **3,250** | 2,954 |
| Staff incentives and other staff payments | **5,485** | 6,151 |
| Medical expenses | **501** | 391 |
| Others | **825** | 718 |
| | **72,306** | 84,398 |

## 31 Other overheads and expenditures

| | The Group | | The Bank | |
|---|---|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| **Establishment costs** | | | | |
| Depreciation of property, plant equipment | **3,389** | 1,771 | **3,389** | 1,771 |
| Rental | **1,581** | 1,509 | **1,581** | 1,509 |
| Repairs and maintenance | **2,963** | 2,429 | **2,963** | 2,429 |
| Outsourcing expenses | **1,398** | 72 | **1,398** | 72 |
| Security expenses | **35** | 37 | **35** | 37 |
| Utility expenses | **256** | 200 | **256** | 200 |
| Others | **913** | 1,481 | **913** | 1,481 |
| **Marketing expenses** | | | | |
| Advertisement and publicity | **4,613** | 7,542 | **4,613** | 7,542 |
| Others | **2,683** | 1,979 | **2,683** | 1,979 |
| **General expenses** | | | | |
| Communication | **613** | 675 | **613** | 675 |
| Consultancy and professional fees | **275** | 4,660 | **275** | 4,660 |
| Legal expenses | **611** | 201 | **611** | 201 |
| Stationery | **673** | 717 | **673** | 717 |
| Amortisation of intangible assets | **10,106** | 3,140 | **10,106** | 3,140 |
| Postages | **3,075** | 2,861 | **3,075** | 2,861 |
| Donation | **4,519** | 7,070 | **4,519** | 7,070 |
| Incidental expenses on banking operations | **3,540** | 1,268 | **3,540** | 1,268 |
| Others | **12,298** | 10,781 | **12,298** | 10,783 |
| | **53,541** | 48,393 | **53,541** | 48,395 |
| Shared services costs paid/payable to CIMB Bank/ CIMB Investment Bank | **361,553** | 373,518 | **361,553** | 373,518 |
| | **415,094** | 421,911 | **415,094** | 421,913 |

## 31 Other overheads and expenditures (Continued)

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

| | The Group | | The Bank | |
|---|---|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Directors remuneration (excluding benefits-in-kind) (Note 32) | **-** | 2,000 | **-** | 2,000 |
| Auditors' remuneration : | | | | |
| PwC Malaysia (audit): | | | | |
| - statutory audit | **154** | 191 | **148** | 186 |
| - limited review | **52** | 42 | **52** | 42 |
| - other audit related | **159** | 120 | **159** | 120 |
| PwC Malaysia (non-audit): | | | | |
| - PwC Malaysia (non-audit) | **59** | 118 | **59** | 118 |

## 32 CEO, Directors and Shariah Committee Members remuneration

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

<u>Non-Executive Directors</u>

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Raja Shaharul Niza bin Raja Abdul Aziz
Habibah binti Abdul
Rosnah binti Dato' Kamarul Zaman
Associate Professor Dr. Mohamed Azam bin Mohamed Adil
Dato' Professor Dr. Sudin bin Haron

<u>Executive Director</u>

Badlisyah bin Abdul Ghani

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

| | **The Group and the Bank** | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| CEO/Executive Director | | |
| - Salary and other remuneration | **1,104** | 1,044 |
| - Bonus | **396** | 956 |
| - Benefits-in-kind | **21** | 17 |
| Non-Executive Directors | | |
| - Fees | **153** | 100 |
| - Other remuneration | **489** | 451 |
| - Benefits-in-kind | **27** | 26 |
| Shariah Committee members | | |
| - Fees | **817** | 699 |
| - Other remuneration | **97** | 97 |
| | **3,104** | 3,390 |

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

The Director's bonus for the financial year 2014 will be paid in tranches, spread over financial year 2015, while for financial year 2013, it was similarly paid in tranches, spread over financial year 2014. A similar condition is also imposed on the bonus for certain key personnel.

## 32 CEO, Directors and Shariah Committee Members remuneration (Continued)

The number of Directors of the Bank whose total remuneration during the financial year falls within the following bands is analysed below:

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014** | 31 December 2013 |
| Executive Director | | |
| RM1,500,001 – RM1,900,000 | **1** | - |
| RM1,900,001 – RM2,150,000 | **-** | 1 |
| Non-Executive Directors | | |
| RM50,000 and below | **2** | 1 |
| RM50,001 to RM100,000 | **1** | - |
| RM100,001 to RM150,000 | **2** | 2 |
| RM150,001 to RM250,000 | **-** | - |
| RM250,001 to RM350,000 | **1** | 1 |

## 33 Taxation

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014** | 31 December 2013 |
| | **RM'000** | RM'000 |
| Taxation based on profit for the financial year: | | |
| - Malaysian income tax | **133,425** | 124,403 |
| Deferred taxation (Note 10) | **1,237** | 1,072 |
| Under accrual in prior year | **154** | 176 |
| | **134,816** | **125,651** |
| **Reconciliation between tax expense and the Malaysian tax rate** | | |
| Profit before taxation | **526,164** | 491,237 |
| Tax calculated at a rate of 25% (2013: 25%) | **131,541** | 122,809 |
| Tax effects: | | |
| - income not subject to tax | **(35)** | (729) |
| - expenses not deductible for tax purposes | **3,156** | 3,395 |
| Under accrual in prior year | **154** | 176 |
| Tax expense | **134,816** | 125,651 |

## 34 Earnings per share

a) Basic earnings per share

The basic earnings per ordinary share for Group and the Bank are calculated based on the net profit for the financial year of RM 391,348,000 (2013: RM 365,586,000) divided by the weighted average number of ordinary shares of 1,000,000,000 (2013: 1,000,000,000) in issue during the financial year respectively.

b) Diluted earnings per share

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

## 35 Significant related party transactions and balances

### (a) Related parties and relationship

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

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

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

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

### (a) Related parties and relationship (Continued)

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

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

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

| The Group and the Bank | Immediate and ultimate holding company RM'000 | Other related companies RM'000 | Key management personnel RM'000 |
|---|---|---|---|
| **2014** | | | |
| **Income** | | | |
| Fee income | - | 455 | - |
| Profit income on deposits and placement with banks and other financial institutions | 1,659 | 4,146 | - |
| **Expenditure** | | | |
| Profit expense on deposits and placements of banks and other financial institutions | 127,906 | 15,532 | - |
| Profit expense on deposits from customers | - | 1,893 | 3 |
| Profit expense on subordinated sukuk | 38,812 | 276 | - |
| Shared service costs | 283,499 | 78,054 | - |
| Security services | - | 35 | - |
| Process cost | - | 39 | - |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

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

### (b) Related party transactions of the Group and the Bank (Continued)

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

| | Immediate and ultimate holding company | Other related companies | Key management personnel |
|---|---|---|---|
| **The Group and the Bank** | RM'000 | RM'000 | RM'000 |
| **2013** | | | |
| **Income** | | | |
| Fee income | - | 702 | - |
| Profit income on deposits and placement with banks and other financial institutions | 1,405 | 12,397 | - |
| Profit income on financial investments held-to-maturity | 1,010 | - | - |
| **Expenditure** | | | |
| Profit expense on deposits and placements of banks and other financial institutions | 268,676 | 29,941 | - |
| Profit expense on deposits from customers | - | 2,339 | - |
| Profit expense on subordinated sukuk | 37,770 | 269 | - |
| Shared service costs | 294,921 | 78,597 | - |
| Security services | - | 37 | - |
| Process cost | - | 14 | - |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

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

### (b) Related party transactions of the Group and the Bank (Continued)

Key management compensation

| | The Group and the Bank | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Salaries and other employee benefits | **2,182** | 5,448 |

| | The Group and the Bank | |
|---|---|---|
| | **2014** | 2013 |
| | **Unit** | Unit |
| Shares of the ultimate holding company | **59,366** | 105,859 |

Included in the above is the Executive Director's compensation which is disclosed in Note 32. The share options are granted on the same terms and condition as those offered to other employees of the Group and the Bank.

There were no financing, advances and other financing/loans granted to the Directors of the Bank. Financing made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No individual impairment allowances/specific allowances were required in 2014 and 2013 for financing, advances and other financing/loans made to the key management personnel.

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

### (c) Related party balances

| The Group and the Bank | Immediate and ultimate olding company RM'000 | Other related companies RM'000 | Key management personnel RM'000 |
|---|---|---|---|
| **2014** | | | |
| **Amounts due from** | | | |
| Current accounts, deposits and placements with banks and other financial institutions | 437,409 | 88,941 | - |
| Profit income on deposits and placements with banks and other financial institutions | 1,095 | 174 | - |
| Derivatives | 77,796 | - | - |
| **Amounts due to** | | | |
| Deposit from customers | - | 149,938 | 1,808 |
| Deposits and placements of banks and other | 2,997,359 | 209,402 | - |
| financial institutions | | | - |
| Profit expense on deposits from customers | - | 24 | - |
| Profit expense on deposits and placements of banks and other financial institutions | 12,377 | 522 | - |
| Subordinated sukuk | 844,000 | 6,000 | - |
| Profit expense on subordinated sukuk | 10,235 | 74 | - |
| Shared service costs | 25,891 | 5,375 | - |
| Derivatives | 140,034 | - | - |
| **Commitment and contingencies** | | | |
| Profit rate related contracts | 6,916,136 | - | - |

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

### (c) Related party balances (Continued)

| | Immediate and ultimate holding company | Other related companies | Key management personnel |
|---|---|---|---|
| **The Group and the Bank** | RM'000 | RM'000 | RM'000 |
| **2013** | | | |
| **Amounts due from** | | | |
| Current accounts, deposits and placements with banks and other financial institutions | - | 129,838 | - |
| Profit income on deposits and placements with banks and other financial institutions | | 143 | - |
| Derivatives | 100,588 | | |
| **Amounts due to** | | | |
| Deposit from customers | - | 136,233 | 1,458 |
| Deposits and placements of banks and other financial institutions | 5,887,062 | 200,188 | - |
| Profit expense on deposits from customers | - | 466 | - |
| Profit expense on deposits and placements of banks and other financial institutions | 61,496 | 100 | - |
| Subordinated sukuk | 844,000 | 6,000 | - |
| Profit expense on subordinated sukuk | 6,828 | 3,481 | - |
| Shared service costs | 15,406 | 5,453 | - |
| Derivatives | 147,104 | - | - |
| **Commitment and contingencies** | | | |
| Profit rate related contracts | 6,930,427 | - | - |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

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

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

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

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Outstanding credit exposures with connected parties | **657,062** | 554,649 |
| Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures | **1.3%** | 1.1% |
| Percentage of outstanding credit exposures with connected parties which is non-performing or in default | **0.0%** | 0.0% |

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

### (e) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 29.3% of the issued capital of the ultimate holding company (2013: 30.0%). 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 35(b) to the Financial Statements, the Group and the Bank have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

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

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

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

### (f) Equity Ownership Plan ("EOP")

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

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

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM 687,175 (2013: RM 591,263)

The weighted average fair value of shares awarded under EOP was RM7.15 per ordinary share (2013: RM7.73), based on market price during the period in which they were purchased.

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

| | The Group and the Bank | |
|---|---|---|
| | **2014** | 2013 |
| | **Unit** | Unit |
| | **'000** | '000 |
| Shares : | | |
| At 1 January | **618** | 424 |
| - Awarded | **440** | 397 |
| - Released | **(386)** | (203) |
| - At 31 December | **672** | 618 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 36 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 2014** | 31 December 2013 |
| | **RM'000** | RM'000 |
| Capital expenditure: | | |
| - authorised and contracted for | **2,359** | 2,043 |
| - authorised but not contracted for | **1,028** | 3,500 |

These capital commitments are for acquisition of property, plant and equipment

## 37 Lease commitments

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

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014** | 31 December 2013 |
| | **RM'000** | RM'000 |
| Within one year | **772** | 653 |
| One year to five years | **2,481** | 2,547 |
| Five years and more | **263** | 514 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 38 Commitments and contingencies

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

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

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

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

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014** | 31 December 2013 |
| | **Principal amount** | Principal amount |
| | **RM'000** | RM'000 |
| **Credit-related** | | |
| Direct credit substitutes | **129,163** | 153,960 |
| Transaction-related contingent items | **366,786** | 390,323 |
| Short-term self-liquidating trade-related contingencies | **76,602** | 19,725 |
| Irrevocable commitments to extend credit: | | |
| - maturity not exceeding one year | **3,408,649** | 4,383,087 |
| - maturity exceeding one year | **2,325,983** | 868,416 |
| Miscellaneous commitments and contingencies | **54,503** | 190,176 |
| Total credit-related commitments and contingencies | **6,361,686** | 6,005,687 |

## 38 Commitments and contingencies (Continued)

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014** | 31 December 2013 |
| | **Principal amount** | Principal amount |
| **Treasury-related** | **RM'000** | RM'000 |
| Foreign exchange related contracts: | | |
| - up to one year | **3,316,404** | 3,671,244 |
| - more than one year to 5 years | **510,204** | 505,478 |
| - more than five years | **892,025** | 895,706 |
| Profit rate related contracts: | | |
| - up to one year | **857,750** | 450,000 |
| - more than one year to 5 years | **12,079,018** | 8,208,201 |
| - more than five years | **3,527,511** | 6,632,534 |
| Equity related contracts: | | |
| - up to one year | **103,011** | - |
| - more than one year to 5 years | **144,287** | 249,221 |
| - more than five years | **332,863** | 392,102 |
| Credit related contracts: | | |
| - more than five years | **113,800** | 115,960 |
| Total treasury-related commitments and contingencies | **21,876,873** | 21,120,446 |
| | **28,238,559** | 27,126,133 |

## 39 Segment reporting

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

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

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

**Business segment reporting**

<u>Definition of segments</u>

The Group is reorganised into the following five major operating divisions. The divisions form the basis on which the Group reports its segment information.

*Consumer Banking*

Consumer Banking provides full-fledged financial services to individual and commercial customer. The divisions which make up the Consumer Banking are Retail Financial Services and Commercial Banking.

Retail Financial Services focuses on innovative products and services to individual customers. It offers products such as financing facilities (residential properties, personal financing, share financing, credit card and hire purchase), remittance services, deposit collection and wealth management.

Commercial Banking is responsible for offering products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products include financing facilities (financing, accepted bills, revolving credit, ijarah, factoring, hire purchase), remittance services and deposit collection.

## 39 Segment reporting (Continued)

**Business segment reporting (Continued)**

*Wholesale Banking*

Wholesale Banking comprises Corporate Banking, Treasury and Markets and Investment Banking.

Corporate Banking, Treasury and Markets (CBTM) is responsible for corporate financing and deposit taking, transaction banking, treasury and markets activities as well as provides nominee services. Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

Investment Banking includes client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and institutional clients.

Advisory offers financial advisory services to corporations, advising issuance of equity and equity-linked products, financing restructuring, initial public offerings, secondary offerings and general corporate advisory. Equities provides services including acting as underwriter, global co-ordinator, book runner or lead manager for equity and equity-linked transactions, originating, structuring, pricing and executing equity and equity-linked issues and executing programme trades, block trades and market making, as well as provides stock broking services to retail and corporate clients.

*Investments*

Investments focus on Group Strategy and Strategic Investments (GSSI) including funding operations for the Group. GSSI consists of Group Strategy, Private Equity and Strategic Investments which focuses in defining and formulating strategies at the corporate and business unit levels oversee the Bank's strategic and private equity fund management businesses. It also invests in the Bank's proprietary capital.

*Support and others*

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 39 Segment reporting (Continued)

### Business segment reporting (Continued)

| 31 December 2014<br>The Group | Consumer Banking<br>Commercial Banking | Consumer Banking<br>Retail Financial Services | Wholesale Banking<br>Corporate Banking, Treasury and Markets | Wholesale Banking<br>Investment Banking | Investment | Support and others | Total |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net income: | | | | | | | |
| - external | 151,775 | 1,039,830 | (238,517) | 337 | 50,241 | - | 1,003,666 |
| - inter-segment | 38,413 | (531,098) | 460,534 | (214) | 32,365 | - | - |
| | 190,188 | 508,732 | 222,017 | 123 | 82,606 | - | 1,003,666 |
| Other income | 20,042 | 78,414 | 744 | 16 | 10,665 | - | 109,881 |
| Operating income | 210,230 | 587,146 | 222,761 | 139 | 93,271 | - | 1,113,547 |
| Overhead expenses | (87,998) | (346,666) | (45,728) | (621) | (2,707) | (3,680) | (487,400) |
| Consist of : | | | | | | | |
| Depreciation of property, plant and equipment | (541) | (2,698) | (335) | (1) | 186 | - | (3,389) |
| Amortisation of intangible assets | (1,374) | (8,160) | (566) | (1) | (5) | - | (10,106) |
| Profit/(loss) before allowances | 122,232 | 240,480 | 177,033 | (482) | 90,564 | (3,680) | 626,147 |
| Allowances for losses on financing, advances and other financing/loans | 9,570 | (90,916) | (18,995) | 35 | - | - | (100,306) |
| Allowances for impairment losses on other receivables | - | - | 323 | - | - | - | 323 |
| Segment results | 131,802 | 149,564 | 158,361 | (447) | 90,564 | (3,680) | 526,164 |
| Taxation | | | | | | | (134,816) |
| **Net profit for the financial year** | | | | | | | 391,348 |
| Segment assets | 3,811,897 | 20,880,949 | 24,836,041 | 3,369 | - | - | 49,532,256 |
| Unallocated assets | | | | | | | 331,542 |
| **Total assets** | | | | | | | 49,863,798 |
| Segment liabilities | 1,974,994 | 9,592,838 | 34,740,858 | - | 125 | - | 46,308,815 |
| Unallocated liabilities | | | | | | | 343,513 |
| **Total liabilities** | | | | | | | 46,652,328 |
| **Other segment items** | | | | | | | |
| Capital expenditure | 20,689 | 72,716 | 7,713 | 20 | 81 | - | 101,219 |

## 39 Business segment reporting (Continued)

| 31 December 2013 The Group | Consumer Banking Commercial Banking | Consumer Banking Retail Financial Services | Wholesale Banking Corporate Banking, Treasury and Markets | Wholesale Banking Investment Banking | Investment | Support and others | Total |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net income: | | | | | | | |
| - external | 99,975 | 1,093,676 | (217,726) | 589 | 12,147 | - | 988,661 |
| - inter-segment | 66,253 | (567,852) | 464,604 | (348) | 37,343 | - | - |
| | 166,228 | 525,824 | 246,878 | 241 | 49,490 | - | 988,661 |
| Other income | 10,415 | 51,153 | 27,542 | 128 | 17,426 | - | 106,664 |
| Operating income | 176,643 | 576,977 | 274,420 | 369 | 66,916 | - | 1,095,325 |
| Overhead expenses | (75,560) | (347,487) | (57,117) | (41) | (1,704) | (24,400) | (506,309) |
| Consist of : | | | | | | | |
| Depreciation of property, plant and equipment | (192) | (777) | (801) | (1) | - | - | (1,771) |
| Amortisation of intangible assets | (126) | (696) | (2,318) | - | - | - | (3,140) |
| Profit/(loss) before allowances | 101,083 | 229,490 | 217,303 | 328 | 65,212 | (24,400) | 589,016 |
| Allowances for losses on financing, advances and other financing/loans | 15,804 | (115,421) | 2,379 | (64) | - | - | (97,302) |
| Allowances for impairment losses on other receivables | - | - | (424) | - | - | (53) | (477) |
| Segment results | 116,887 | 114,069 | 219,258 | 264 | 65,212 | (24,453) | 491,237 |
| Taxation | | | | | | | (125,651) |
| **Net profit for the financial year** | | | | | | | 365,586 |
| | | | | | | | |
| Segment assets | 2,839,910 | 20,679,310 | 25,567,233 | 11,356 | - | - | 49,097,809 |
| Unallocated assets | | | | | | | 325,395 |
| **Total assets** | | | | | | | 49,423,204 |
| | | | | | | | |
| Segment liabilities | 1,841,595 | 8,053,899 | 36,431,606 | - | - | - | 46,327,100 |
| Unallocated liabilities | | | | | | | 425,176 |
| **Total liabilities** | | | | | | | 46,752,276 |
| | | | | | | | |
| **Other segment items** | | | | | | | |
| Capital expenditure | 3,865 | 14,145 | 1,413 | - | 10 | - | 19,433 |

*Basis of pricing for inter-segment transfers:*

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

## 40 Significant event during the financial year

**Issuance of RM150 million Basel III Compliant Perpetual Shares**

On 31 March 2014, the Bank issued RM150 million of Basel III Compliant Perpetual Preference Shares ("PPS") to CIMB Bank Berhad pursuant to the approval received from CIMB Islamic's shareholder and Bank Negara Malaysia on 9 January 2014 and 20 March 2014 respectively. The RM150 million PPS qualifies as Additional Tier 1 capital for the purpose of the Tier 1 capital ratio and Total capital ratio computation. The capital instrument issued is perpetual, only callable from 5 years onwards subject to conditions imposed with prior approval required from BNM.

## 41 Capital adequacy

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

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

Bank Negara Malaysia (BNM) issued revised guidelines on the capital adequacy framework on 28 November 2012, of which took effect beginning 1 January 2013. The revised guidelines set out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 41 Capital adequacy (Continued)

*Capital Structure and Adequacy*

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group and the Bank as at 31 December 2014. The Group and the Bank issued various capital instruments pursuant to the respective regulatory guidelines that qualify as capital pursuant to the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM.

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

| | The Group | | The Bank | |
|---|---|---|---|---|
| | **31 December 2014** | 31 December 2013 | **31 December 2014** | 31 December 2013 |
| Common equity tier 1 ratio | **11.448%** | 9.905% | **11.448%** | 9.905% |
| Tier 1 ratio | **12.346%** | 10.201% | **12.345%** | 10.201% |
| Total capital ratio | **15.493%** | 14.020% | **15.493%** | 14.020% |

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

| | The Group | | The Bank | |
|---|---|---|---|---|
| | **31 December 2014 RM'000** | 31 December 2013 RM'000 | **31 December 2014 RM'000** | 31 December 2013 RM'000 |
| Credit risk | **20,438,939** | 18,769,386 | **20,439,165** | 18,769,614 |
| Market risk | **498,080** | 620,945 | **498,080** | 620,945 |
| Operational risk | **2,011,791** | 1,866,607 | **2,011,728** | 1,866,592 |
| Total risk-weighted assets | **22,948,810** | 21,256,938 | **22,948,973** | 21,257,151 |

## 41 Capital adequacy (Continued)

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

| | The Group | | The Bank | |
|---|---|---|---|---|
| | **31 December 2014** | 31 December 2013 | **31 December 2014** | 31 December 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Common Equity Tier I capital** | | | | |
| Ordinary shares | **1,000,000** | 1,000,000 | **1,000,000** | 1,000,000 |
| Other reserves | **1,991,470** | 1,600,928 | **1,991,444** | 1,600,902 |
| Common Equity Tier I capital before regulatory adjustments | **2,991,470** | 2,600,928 | **2,991,444** | 2,600,902 |
| Less: Regulatory adjustments | | | | |
| Goodwill | **(136,000)** | (136,000) | **(136,000)** | (136,000) |
| Intangible assets | **(89,744)** | (11,080) | **(89,744)** | (11,080) |
| Deferred tax assets | **(22,855)** | (25,566) | **(22,855)** | (25,566) |
| Others | **(115,688)** | (322,811) | **(115,689)** | (322,814) |
| Common Equity Tier I capital after regulatory adjustments | **2,627,183** | 2,105,471 | **2,627,156** | 2,105,442 |
| **Additional Tier I capital** | | | | |
| Perpetual preference shares | **206,000** | 63,000 | **206,000** | 63,000 |
| Additional Tier I capital before regulatory adjustments | **206,000** | 63,000 | **206,000** | 63,000 |
| Less: Regulatory adjustments | **-** | - | **-** | - |
| Additional Tier I capital after regulatory adjustments | **206,000** | 63,000 | **206,000** | 63,000 |
| **Total Tier I capital** | **2,833,183** | 2,168,471 | **2,833,156** | 2,168,442 |
| **Tier II capital** | | | | |
| Subordinated notes | **680,000** | 765,000 | **680,000** | 765,000 |
| Portfolio impairment allowance and regulatory reserves ^ | **42,231** | 46,854 | **42,233** | 46,857 |
| Tier II capital before regulatory adjustments | **722,231** | 811,854 | **722,233** | 811,857 |
| Less: Regulatory adjustments | **-** | - | **-** | - |
| **Total Tier II capital** | **722,231** | 811,854 | **722,233** | 811,857 |
| **Total capital** | **3,555,414** | 2,980,325 | **3,555,389** | 2,980,299 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 41 Capital adequacy (Continued)

^ The capital base of the Group and the Bank as at 31 December 2014 have excluded portfolio impairment allowance on impaired financings restricted from Tier II capital of RM24.5 million (2013: RM24.9 million ) respectively.

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

As at 31 December 2014, RPSIA assets excluded from the Total Capital Ratio calculation amounted to RM2,099 million (2013: RM2,476 million).

## 42 Sources and uses of charity funds

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

| | **2014** **RM'000** | **2013** **RM'000** |
|---|---|---|
| Sources of charity funds | | |
| Balance as at 1 January | **633** | 267 |
| Shariah non-compliance income | **1** | 366 |
| Total sources of charity funds during the year | **634** | 633 |
| Uses of charity funds | | |
| Contribution to non-profit organisation | **343** | - |
| Contribution to government agencies | **250** | - |
| Total uses of charity funds during the year | **593** | - |
| Undistributed charity funds as at 31 December | **41** | 633 |

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

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

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

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

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

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

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

*(c) Goodwill impairment*

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

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

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

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

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

*(d) Fair value of financial instruments*

The majority of the Group’s and the Bank’s financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 45.4.

## 44 Change in comparatives

Certain comparatives were restated to conform to the current financial year’s presentation. There was no significant impact to the financial performance and ratios in relation to the financial year ended 31 December 2014.

Impact on the Group’s and the Bank’s statement of income for the financial year ended 31 December 2013:

| | As previously reported | | Effects of the changes | As restated | |
|---|---|---|---|---|---|
| | The Group RM'000 | The Bank RM'000 | The Group and the Bank RM'000 | The Group RM'000 | The Bank RM'000 |
| Income derived from investment of depositors’ funds and others | 1,990,460 | 1,990,460 | 112,464 | 2,102,924 | 2,102,924 |
| Income derived from investment of shareholder's funds | 257,785 | 257,761 | 5,702 | 263,487 | 263,463 |
| Income attributable to depositors | (1,152,920) | (1,152,920) | (118,166) | (1,271,086) | (1,271,086) |

## 45 Financial Risk Management

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

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

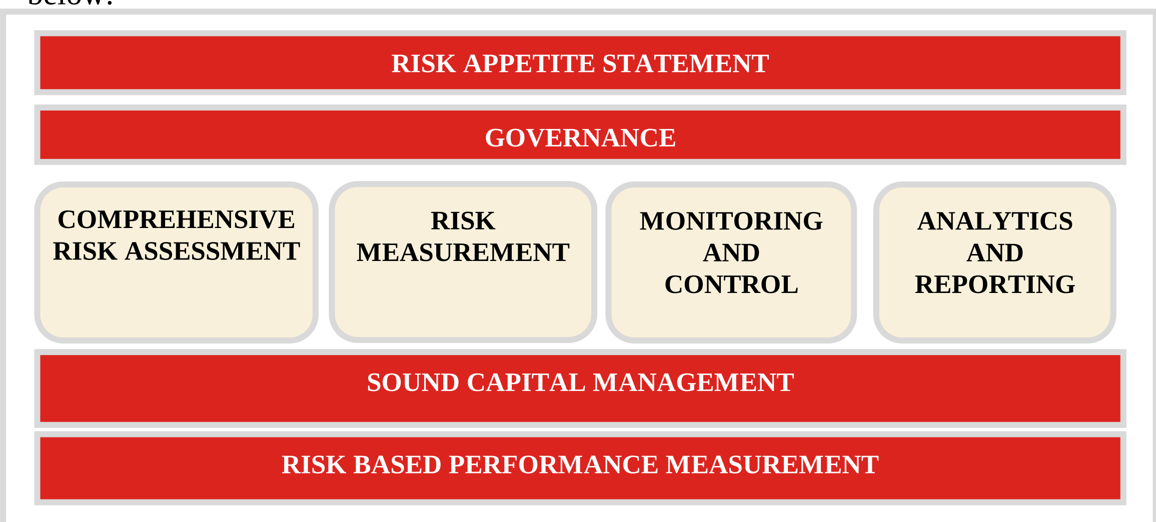
The objectives of the CIMB Group's risk management activities are to:

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

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

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

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



## 45 Financial Risk Management (Continued)

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

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

a) Risk Appetite Statement

Risk appetite defines the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. In CIMB Group, the risk appetite is linked to strategy development and business and capital management plans. It takes into account not only growth, revenue and commercial aspirations, but also the capital and liquidity positions and risk management capabilities and strengths, including risk systems, processes and people. Going forward, risk appetite statements will be formulated for key business units as well as incorporate stress testing.

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

b) Governance

A strong risk governance structure is what binds the EWRM framework together. The Board of Directors is ultimately responsible for the Group's risk management activities, and provides strategic direction through the Risk Appetite Statement and relevant risk management frameworks for the Group.

The implementation and administration of the EWRM framework are effected through the three lines of defence model with oversight by the risk governance structure which consists of various risk committees, as described below. Group Risk Division (GRD) is principally tasked to assist the various risk committees and undertakes the performance of independent risk management, monitoring and reporting functions of the EWRM. The implementation of the EWRM is also subjected to the independent assurance and assessment by Group Internal Audit Division.

## 45 Financial Risk Management (Continued)

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

c) Comprehensive Risk Assessment

Comprehensive Risk Assessment provides the process for the identification of the Group's material risks, from the perspectives of impact on the Group's financial standing and reputation. Apart from the annual comprehensive risk assessment exercise, the Group's material risks are identified on an on-going basis as well as part of the consideration for any strategic projects, including new product development.

d) Risk Measurement

Consistent and common methodologies of Risk Measurement allow for the Group to aggregate and compare risks across business units, geographies and risk types. Further, it provides a tool for the Board and Senior Management to assess the sufficiency of its liquidity surplus and reserves, and health of its capital position under various economic and financial situations.

e) Monitoring and Control

Various risk management tools are employed to Monitoring and Control the risk taking activities within the Group. These include limit monitoring, hedging strategies and clearly documented control processes. These controls are regularly monitored and reviewed in the face of changing business needs, market conditions and regulatory changes.

f) Analytics and Reporting

Timely reporting and meaningful analysis of risk positions are critical to enable the Board and Senior Management to exercise control over material exposures and make informed business decisions.

g) Sound Capital Management

The Group's capital resources are continuously assessed and managed to undertake its day-to-day business operations and risk-taking activities, including considerations for its business expansion and growth. Each year internal capital targets will be set and capital will be allocated to each business units based on the respective business plans, budgeted profit and targeted Risk Adjusted Return on Capital (RAROC).

## 45 Financial Risk Management (Continued)

h) Risk Based Performance Measurement

Business units' economic profitability will be measured having considered both its risks and capital consumption. The adoption of a risk-based performance measurement allows for performance and profitability of different business units to be compared on a common yardstick.

### (c) Risk Governance

In the year under review, the Board approved a revision to the Group's risk governance structure, with the establishment of several risk committees, thereby allowing for more thorough Group-wide deliberation at a specialized risk level.

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

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### (c) Risk Governance (Continued)

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 Policy & Portfolio Risk Committee, Group Market Risk Committee, Group Operational Risk Committee, Group Asset Liability Management Committee and Basel Steering Committee, with each committee providing oversight and responsibility for specific risk areas namely, credit risk, market risk, operational risk, liquidity risk and capital risk.

The revised structure of the Group's Risk Committees and an overview of the respective committee's roles and responsibilities are as follows:

## 45 Financial Risk Management (Continued)

### (c) Risk Governance (Continued)

**Board of Directors**

**Board Risk Committee**
- Determine the Group's risk strategies, policies and methodologies
- Oversee implementation of the EWRM framework, provide strategic guidance and review the decisions of the GRC

**Board Shariah Committee**
- Oversee all Shariah matters of the Group

**Group Risk Committee**
- Ensure effectiveness of risk management across the Group
- Ensure adherence to the Board approved risk appetite
- Outline key risks and strategies to improve risk management across the Group

**Group Operational Risk Committee**
- Review key operational risks impacting or potentially impacting the Group
- Review the appropriateness of the framework to manage the risk
- Review on-going or planned remediation for known risks
- Review all events leading material non-compliance including Shariah non-compliance

**Group Reputation Risk Committee**
- Ensure appropriateness of reputational risk policies
- Review key reputational risks impacting CIMB Group and track feedback from management in response to these risks

**Group Asset Liability Management Committee (GALCO)**
- Oversee management of the Group's overall balance sheet, net interest income/margin, liquidity risk and interest rate risk in the banking book (IRRBB)/rate of return in the banking book (RORBB)
- Ensure risk profile is kept within the established risk appetite/limits

**Malaysia Asset Liability Management Committee (MALCO)**
- Oversee management of the overall balance sheet, net interest income/ margin, liquidity risk and IRRBB/RORBB for CIMB's Malaysian entities
- Ensure risk profile is kept within the established risk appetite/limits

**Group Credit Policy & Portfolio Risk Committee**
- Ensure adherence to the Board approved credit risk appetite
- Ensure effectiveness of credit risk management
- Articulate key credit risk and its mitigating controls

**Group Credit Committee**
- Review, recommend for Group EXCO and approve or concur credit applications from entities across CIMB Group
- Establish regional specific standards as appropriate and ensure alignment with the broad credit policies, processes and risk appetite framework within CIMB Group
- Ensure Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies , procedures and risk appetite

**Consumer Bank Credit Committee**
- Review and approve credit/financing applications in relation to Malaysian and non-Malaysian centric customer groups exposures originating from business units within Consumer Banking and CIMB Investment Bank

**Regional Private Banking Credit Committee**
- Review and consider credit applications originating from the Group Private Banking, and approve or concur or recommend them to the next appropriate credit committee, EXCO or Board for approval

**Group Market Risk Committee**
- Ensure effectiveness of risk management across the Group
- Ensure adherence to the Board approved market risk appetite
- Articulate key market risks and the corresponding mitigating controls

**Group Underwriting Committee**
- Review and approve or concur primary and secondary market deals for debt and equity instruments for the Group
- Ensure adequate pricing to compensate for risk and sufficient measures are taken to mitigate against adverse market movements
- Ensure proper governance around unsuccessful transactions

**Basel Steering Committee**
- Oversee implementation of Basel regulations in the banking entities under the Group

## 45 Financial Risk Management (Continued)

### (c) Risk Governance (Continued)

Similar risk committees are set-up in each of the Group’s overseas subsidiaries in their respective jurisdiction. 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 within the Group.

***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 risk 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 and 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 also in compliance to regulations. The third line of defence is Group Internal Audit Division who 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.

## 45 Financial Risk Management (Continued)

### (c) Risk Governance (Continued)

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

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

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

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

a) Risk Analytics & Infrastructure Centre of Excellence

   Risk Analytics & Infrastructure Centre of Excellence focuses on credit capital quantification and analytics including the implementation of group-wide Basel II framework; corporate credit portfolio analytics and reporting; and credit concentration measurement and monitoring.

## 45 Financial Risk Management (Continued)

### (c) Risk Governance (Continued)

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

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. It also coordinates capital market product deployments.

c) Operational Risk Centre of Excellence

The Operational Risk Centre of Excellence provides the methodology and process 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.

d) Asset Liability Management Centre of Excellence

It is primarily responsible for the independent monitoring and assessment of the Group's asset and liability management process governing liquidity risk and profit/benchmark rate risk as well as recommending policies and methodologies to manage the said risks.

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 CIMB 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.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### (c) Risk Governance (Continued)

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

f) Shariah Risk Management Centre of Excellence

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

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

The regional offices and the respective teams in risk management units within the unit trust business and Non-Malaysian securities businesses identify, analyse, monitor, review and report the relevant material risk exposures of each individual country and/or businesses.

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

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

## 45 Financial Risk Management (Continued)

**Strategies and Processes for Various Risk Management**

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

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

**Credit Risk Management**

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital and to ensure the returns commensurate with risk.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, 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.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit Risk (Continued)

**Credit Risk Management (Continued)**

The Framework encompasses the introduction of 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 Policy & Portfolio Risk Committee (“GCPRC”), Group Credit Committee, Consumer Bank Credit Committee, Regional Private Banking Credit Committee and GRD is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy review. It is also responsible for articulating key credit risks and mitigating controls.

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

Adherence to established credit limits is monitored daily by GRD, which combines all exposures for each counterparty or group, including off-balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty. For retail products, portfolio limits are monitored monthly by GRD.

## 45 Financial Risk Management (Continued)

### 45.1 Credit Risk (Continued)

**Credit Risk Management (Continued)**

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

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

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

In addition to the above, the Group also employs Value at Risk (VaR) to measure credit concentration risk. The Group adopts the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

## 45 Financial Risk Management (Continued)

### 45.1 Credit Risk (Continued)

**Credit Risk Mitigation**

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and is considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

All extension of credit in so far as deemed prudent, must be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides.GCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

## 45 Financial Risk Management (Continued)

### 45.1 Credit Risk (Continued)

iii) Netting

In mitigating the credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout and settlement netting arrangements with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

iv) Portfolio diversification for better clarity

CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any counterparty, sectors and country.

**Off-Balance Sheet Exposures and Counterparty Credit Risk (“CCR’)**

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM’s guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into 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.

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

**Off-Balance Sheet Exposures and Counterparty Credit Risk (“CCR’) (Continued)**

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes, International Swaps and Derivatives Association Agreement and exposure as at 31 December 2014, 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

### 45.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Company would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

| | The Group and the Bank | |
|---|---|---|
| | 31 December 2014 RM'000 | 31 December 2013 RM'000 |
| Financial guarantees | **121,166** | 152,786 |
| Credit related commitments and contingencies | **5,873,733** | 5,462,578 |
| | **5,994,899** | 5,615,364 |

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans for the Group and the Bank is 71.6% (2013: 76.1%) while the financial effect of collateral for derivatives for the Group and the Bank is 72.7% (2013: 79.5%). The financial effects of collateral held for the remaining financial assets are insignificant.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.2 Offsetting financial assets and financial liabilities

**Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements - by type**

| | Gross amounts of recognised financial assets in the statement of financial position RM'000 | Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000 | Net amounts of financial assets presented in the statement of financial position RM'000 | Related amounts not set off in the statement of financial position: Financial instruments RM'000 | Related amounts not set off in the statement of financial position: Financial collaterals RM'000 | Net amount RM'000 |
|---|---|---|---|---|---|---|
| **The Group and the Bank** | | | | | | |
| **31 December 2014** | | | | | | |
| **Financial assets** | | | | | | |
| Derivative assets | **263,865** | **-** | **263,865** | **(191,846)** | **-** | **72,019** |
| Share margin financing | **9,453** | **-** | **9,453** | **-** | **(8,721)** | **732** |
| 31 December 2013 | | | | | | |
| **Financial assets** | | | | | | |
| Derivative assets | 246,800 | - | 246,800 | (196,183) | - | 50,617 |
| Share margin financing | 16,441 | - | 16,441 | - | (16,175) | 266 |

| | Gross amounts of recognised financial liabilities in the statement of financial position RM'000 | Gross amounts of recognised financial assets set off in the statement of financial position RM'000 | Net amounts of financial liabilities presented in the statement of financial position RM'000 | Related amounts not set off in the statement of financial position: Financial instruments RM'000 | Related amounts not set off in the statement of financial position: Financial collaterals RM'000 | Net amount RM'000 |
|---|---|---|---|---|---|---|
| **The Group and the Bank** | | | | | | |
| **31 December 2014** | | | | | | |
| **Financial liabilities** | | | | | | |
| Derivative liabilities | **330,197** | **-** | **330,197** | **(176,458)** | **(27,979)** | **125,760** |
| 31 December 2013 | | | | | | |
| **Financial liabilities** | | | | | | |
| Derivative liabilities | 285,377 | - | 285,377 | (180,242) | (28,789) | 76,346 |

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

### (a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2014 and 31 December 2013 are as follows:

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | 31 December 2014 | | | | | |
| | Malaysia | Indonesia | Singapore | United States | Others | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and short-term funds | 5,090,502 | 1,751 | 2,360 | 37,401 | 2,645 | 5,134,659 |
| Deposits and placements with banks and other financial institutions | - | - | 164,298 | - | 54,636 | 218,934 |
| Financial assets held for trading | | | | | | |
| - Money market instruments | 3,255,826 | - | - | - | - | 3,255,826 |
| - Unquoted securities | 210,789 | - | - | - | 70,035 | 280,824 |
| Financial investments available-for-sale | | | | | | |
| - Money market instruments | 414,365 | - | - | - | - | 414,365 |
| - Unquoted securities | 1,525,393 | - | 64,934 | - | 18,655 | 1,608,982 |
| Financial investments held-to-maturity | | | | | | |
| - Money market instruments | 20,629 | - | - | - | - | 20,629 |
| - Unquoted securities | 600,363 | - | - | - | - | 600,363 |
| Islamic derivative financial instruments | | | | | | |
| - Trading derivatives | 234,392 | - | - | - | - | 234,392 |
| - Hedging derivatives | 29,473 | - | - | - | - | 29,473 |
| Financing, advances and other financing/loans | | | | | | |
| - Cashline | 552,594 | - | - | - | - | 552,594 |
| - Term financing | 32,837,369 | - | - | - | - | 32,837,369 |
| - Bills receivable | 2,933 | - | - | - | - | 2,933 |
| - Islamic trust receipts | 18,256 | - | - | - | - | 18,256 |
| - Claim on customers under Islamic accepted bills | 387,838 | - | - | - | - | 387,838 |
| - Share purchase financing | 9,239 | - | - | - | | 9,239 |
| - Credit card receivables | 108,571 | - | - | - | - | 108,571 |
| - Revolving credits | 2,381,190 | - | - | - | - | 2,381,190 |
| - Ar Rahnu | 1,590 | - | - | - | - | 1,590 |
| Other assets | 92,710 | - | - | - | - | 92,710 |
| Amount due from holding company | 106,783 | - | - | - | - | 106,783 |
| Amount due from related companies | 662 | - | - | - | - | 662 |
| Financial guarantees | 121,166 | - | - | - | - | 121,166 |
| Credit related commitments and contingencies | 5,873,733 | - | - | - | - | 5,873,733 |
| **Total credit exposures** | 53,876,366 | 1,751 | 231,592 | 37,401 | 145,971 | 54,293,081 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2014 and 31 December 2013 are as follows (Continued):

| | The Group 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | Malaysia RM'000 | Singapore RM'000 | United States RM'000 | Others RM'000 | Total RM'000 |
| Cash and short-term funds | 6,939,566 | 436 | 43,511 | 48 | 6,983,561 |
| Deposits and placements with banks and other financial institutions | 163,318 | - | - | - | 163,318 |
| Financial assets held for trading | | | | | |
| - Money market instruments | 2,960,355 | - | - | - | 2,960,355 |
| - Unquoted securities | 208,182 | - | - | - | 208,182 |
| Financial investments available-for-sale | | | | | |
| - Money market instruments | 438,075 | - | - | - | 438,075 |
| - Unquoted securities | 839,027 | - | - | 10,429 | 849,456 |
| Financial investments held-to-maturity | | | | | |
| - Unquoted securities | 602,177 | - | - | - | 602,177 |
| Islamic derivative financial instruments | | | | | |
| - Trading derivatives | 202,145 | - | - | - | 202,145 |
| - Hedging derivatives | 44,655 | - | - | - | 44,655 |
| Financing, advances and other financing/loans | | | | | |
| - Cashline | 463,939 | - | - | - | 463,939 |
| - Term financing | 31,960,508 | - | - | - | 31,960,508 |
| - Bills receivable | 2,882 | - | - | - | 2,882 |
| - Islamic trust receipts | 23,896 | - | - | - | 23,896 |
| - Claim on customers under Islamic accepted bills | 358,988 | - | - | - | 358,988 |
| - Share purchase financing | 16,193 | - | - | | 16,193 |
| - Credit card receivables | 100,517 | - | - | - | 100,517 |
| - Revolving credits | 2,144,749 | - | - | - | 2,144,749 |
| - Ar Rahnu | 892 | - | - | - | 892 |
| Other assets | 96,184 | - | - | - | 96,184 |
| Amount due from related companies | 418 | - | - | - | 418 |
| Financial guarantees | 152,786 | - | - | - | 152,786 |
| Credit related commitments and contingencies | 5,462,578 | - | - | - | 5,462,578 |
| **Total credit exposures** | 53,182,030 | 436 | 43,511 | 10,477 | 53,236,454 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2014 and 31 December 2013 are as follows (Continued):

| | The Bank 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Malaysia RM'000 | Indonesia RM'000 | Singapore RM'000 | United States RM'000 | Others RM'000 | Total RM'000 |
| Cash and short-term funds | 5,090,455 | 1,751 | 2,360 | 37,401 | 2,645 | 5,134,612 |
| Deposits and placements with banks and other financial institutions | - | - | 164,298 | - | 54,636 | 218,934 |
| Financial assets held for trading | | | | | | |
| - Money market instruments | 3,255,826 | - | - | - | - | 3,255,826 |
| - Unquoted securities | 210,789 | - | - | - | 70,035 | 280,824 |
| Financial investments available-for-sale | | | | | | |
| - Money market instruments | 414,365 | - | - | - | - | 414,365 |
| - Unquoted securities | 1,525,393 | - | 64,934 | - | 18,655 | 1,608,982 |
| Financial investments held-to-maturity | | | | | | |
| - Money market instruments | 20,629 | - | - | - | - | 20,629 |
| - Unquoted securities | 600,363 | - | - | - | - | 600,363 |
| Islamic derivative financial instruments | | | | | | |
| - Trading derivatives | 234,392 | - | - | - | - | 234,392 |
| - Hedging derivatives | 29,473 | - | - | - | - | 29,473 |
| Financing, advances and other financing/loans | | | | | | |
| - Cashline | 552,594 | - | - | - | - | 552,594 |
| - Term financing | 32,837,369 | - | - | - | - | 32,837,369 |
| - Bills receivable | 2,933 | - | - | - | - | 2,933 |
| - Islamic trust receipts | 18,256 | - | - | - | - | 18,256 |
| - Claim on customers under Islamic accepted bills | 387,838 | - | - | - | - | 387,838 |
| - Share purchase financing | 9,239 | - | - | - | | 9,239 |
| - Credit card receivables | 108,571 | - | - | - | - | 108,571 |
| - Revolving credits | 2,381,190 | - | - | - | - | 2,381,190 |
| - Ar Rahnu | 1,590 | - | - | - | - | 1,590 |
| Other assets | 92,710 | - | - | - | - | 92,710 |
| Amount due from holding company | 106,783 | - | - | - | - | 106,783 |
| Amount due from related companies | 662 | - | - | - | - | 662 |
| Financial guarantees | 121,166 | - | - | - | - | 121,166 |
| Credit related commitments and contingencies | 5,873,733 | - | - | - | - | 5,873,733 |
| **Total credit exposures** | 53,876,319 | 1,751 | 231,592 | 37,401 | 145,971 | 54,293,034 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2014 and 31 December 2013 are as follows (Continued):

| | The Bank 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | Malaysia RM'000 | Singapore RM'000 | United States RM'000 | Others RM'000 | Total RM'000 |
| Cash and short-term funds | 6,939,520 | 436 | 43,511 | 48 | 6,983,515 |
| Deposits and placements with banks and other financial institutions | 163,318 | - | - | - | 163,318 |
| Financial assets held for trading | | | | | |
| - Money market instruments | 2,960,355 | - | - | - | 2,960,355 |
| - Unquoted securities | 208,182 | - | - | - | 208,182 |
| Financial investments available-for-sale | | | | | |
| - Money market instruments | 438,075 | - | - | - | 438,075 |
| - Unquoted securities | 839,027 | - | - | 10,429 | 849,456 |
| Financial investments held-to-maturity | | | | | |
| - Unquoted securities | 602,177 | - | - | - | 602,177 |
| Islamic derivative financial instruments | | | | | |
| - Trading derivatives | 202,145 | - | - | - | 202,145 |
| - Hedging derivatives | 44,655 | - | - | - | 44,655 |
| Financing, advances and other financing/loans | | | | | |
| - Cashline | 463,939 | - | - | - | 463,939 |
| - Term financing | 31,960,508 | - | - | - | 31,960,508 |
| - Bills receivable | 2,882 | - | - | - | 2,882 |
| - Islamic trust receipts | 23,896 | - | - | - | 23,896 |
| - Claim on customers under Islamic accepted bills | 358,988 | - | - | - | 358,988 |
| - Share purchase financing | 16,193 | - | - | | 16,193 |
| - Credit card receivables | 100,517 | - | - | - | 100,517 |
| - Revolving credits | 2,144,749 | - | - | - | 2,144,749 |
| - Ar Rahnu | 892 | - | - | - | 892 |
| Other assets | 96,184 | - | - | - | 96,184 |
| Amount due from related companies | 418 | - | - | - | 418 |
| Financial guarantees | 152,786 | - | - | - | 152,786 |
| Credit related commitments and contingencies | 5,462,578 | - | - | - | 5,462,578 |
| **Total credit exposures** | 53,181,984 | 436 | 43,511 | 10,477 | 53,236,408 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2014 and 31 December 2013 based on the industry sectors of the counterparty are as follows:

**The Group**
**31 December 2014**

| | Cash and short-term funds | Deposits and placements with banks and other financial institutions | Financial assets held for trading (i) | Financial investments available-for-sale (i) | Financial investments held-to-maturity (i) | Islamic derivative financial instruments: Trading derivatives | Islamic derivative financial instruments: Hedging derivatives | Other financial assets* | Financing, advances and other financing/ loans (ii) | Total credit exposures |
|---|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Primary agriculture | - | - | 19,359 | 71,235 | - | - | - | | 816,802 | 907,396 |
| Mining and quarrying | - | - | - | 20,185 | - | 9 | - | - | 29,061 | 49,255 |
| Manufacturing | - | - | - | 45,857 | - | 1,067 | - | - | 1,057,680 | 1,104,604 |
| Electricity, gas and water supply | - | - | 10,138 | 109,364 | 10,410 | - | - | - | 4,158 | 134,070 |
| Construction | - | - | 15,138 | 320,646 | - | - | - | - | 1,642,333 | 1,978,117 |
| Transport, storage and communications | - | - | 86,731 | 233,456 | 519,034 | 7 | - | - | 614,141 | 1,453,369 |
| Education, health and others | - | - | - | - | - | - | - | - | 612,258 | 612,258 |
| Wholesale and retail trade, and restaurants and hotels | - | - | - | - | - | - | - | - | 946,601 | 946,601 |
| Finance, takaful, real estate and business activities | 1,123,140 | 218,934 | 1,142,037 | 518,836 | 40,492 | 145,831 | 29,473 | 200,155 | 3,853,217 | 7,272,115 |
| *Others* | | | | | | | | | | |
| Government and government agencies | 4,011,519 | - | 2,263,247 | 655,607 | 51,056 | 68,086 | - | - | 6,823,187 | 13,872,702 |
| Household | - | - | - | - | - | - | - | - | 19,825,435 | 19,825,435 |
| Others | - | - | - | 48,161 | - | 19,392 | - | - | 74,707 | 142,260 |
| | 5,134,659 | 218,934 | 3,536,650 | 2,023,347 | 620,992 | 234,392 | 29,473 | 200,155 | 36,299,580 | 48,298,182 |

*Other financial assets include amount due from holding company, amount due from related companies and other financial assets.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2014 and 31 December 2013 based on the industry sectors of the counterparty are as follows (Continued):

**The Group**
**31 December 2013**

| | Cash and short-term funds | Deposits and placements with banks and other financial institutions | Financial assets held for trading (i) | Financial investments available-for-sale (i) | Financial investments held-to-maturity (i) | Islamic derivative financial instruments: Trading derivatives | Islamic derivative financial instruments: Hedging derivatives | Other financial assets * | Financing, advances and other financing/ loans (ii) | Total credit exposures |
|---|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Primary agriculture | - | - | 19,339 | - | - | - | - | | 733,617 | 752,956 |
| Mining and quarrying | - | - | - | - | - | - | - | - | 23,569 | 23,569 |
| Manufacturing | - | - | - | - | - | 978 | - | - | 951,357 | 952,335 |
| Electricity, gas and water supply | - | - | - | 68,635 | - | 590 | - | - | 144,551 | 213,776 |
| Construction | - | - | 9,851 | 158,424 | - | - | - | - | 1,353,911 | 1,522,186 |
| Transport, storage and communications | - | - | 128,347 | 35,510 | 508,767 | 288 | - | - | 701,740 | 1,374,652 |
| Education, health and others | - | - | - | - | - | - | - | - | 2,283,956 | 2,283,956 |
| Wholesale and retail trade, and restaurants and hotels | - | - | - | - | - | - | - | - | 760,120 | 760,120 |
| Finance,takaful,real estate and business activities | 1,951,700 | 163,318 | 789,195 | 395,926 | 93,410 | 111,953 | 44,655 | 96,602 | 2,945,982 | 6,592,741 |
| *Others* | | | | | | | | | | |
| Government and government agencies | 5,031,861 | - | 2,211,988 | 577,999 | - | 47,878 | - | - | 6,788,985 | 14,658,711 |
| Household | - | - | - | - | - | - | - | - | 18,333,454 | 18,333,454 |
| Others | - | - | 9,817 | 51,037 | - | 40,458 | - | - | 51,322 | 152,634 |
| | 6,983,561 | 163,318 | 3,168,537 | 1,287,531 | 602,177 | 202,145 | 44,655 | 96,602 | 35,072,564 | 47,621,090 |

*Other financial assets include amount due from holding company, amount due from related companies and other financial assets.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2014 and 31 December 2013 based on the industry sectors of the counterparty are as follows (Continued):

**The Bank**
**31 December 2014**

| | Cash and short-term funds | Deposits and placements with banks and other financial institutions | Financial assets held for trading (i) | Financial investments available-for-sale (i) | Financial investments held-to-maturity (i) | Islamic derivative financial instruments | | Other financial assets * | Financing, advances and other financing/ loans (ii) | Total credit exposures |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Trading derivatives | Hedging derivatives | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Primary agriculture | - | - | **19,359** | **71,235** | - | - | - | | **816,802** | **907,396** |
| Mining and quarrying | - | - | - | **20,185** | - | **9** | - | - | **29,061** | **49,255** |
| Manufacturing | - | - | - | **45,857** | - | **1,067** | - | - | **1,057,680** | **1,104,604** |
| Electricity, gas and water supply | - | - | **10,138** | **109,364** | **10,410** | - | - | - | **4,158** | **134,070** |
| Construction | - | - | **15,138** | **320,646** | - | - | - | - | **1,642,333** | **1,978,117** |
| Transport, storage and communications | - | - | **86,731** | **233,456** | **519,034** | **7** | - | - | **614,141** | **1,453,369** |
| Education, health and others | - | - | - | - | - | - | - | - | **612,258** | **612,258** |
| Wholesale and retail trade, and restaurants and hotels | - | - | - | - | - | - | - | - | **946,601** | **946,601** |
| Finance, takaful, real estate and business activities | **1,123,093** | **218,934** | **1,142,037** | **518,836** | **40,492** | **145,831** | **29,473** | **200,155** | **3,853,217** | **7,272,068** |
| *Others* | | | | | | | | | | |
| Government and government agencies | **4,011,519** | - | **2,263,247** | **655,607** | **51,056** | **68,086** | - | - | **6,823,187** | **13,872,702** |
| Household | - | - | - | - | - | - | - | - | **19,825,435** | **19,825,435** |
| Others | - | - | - | **48,161** | - | **19,392** | - | - | **74,707** | **142,260** |
| | **5,134,612** | **218,934** | **3,536,650** | **2,023,347** | **620,992** | **234,392** | **29,473** | **200,155** | **36,299,580** | **48,298,135** |

* Other financial assets include amount due from holding company, amount due from related companies and other financial assets.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

**(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2014 and 31 December 2013 based on the industry sectors of the counterparty are as follows (Continued):

**The Bank**
**31 December 2013**

| | Cash and short-term funds | Deposits and placements with banks and other financial institutions | Financial assets held for trading (i) | Financial investments available-for-sale (i) | Financial investments held-to-maturity (i) | Islamic derivative financial instruments: Trading derivatives | Islamic derivative financial instruments: Hedging derivatives | Other financial assets * | Financing, advances and other financing/loans (ii) | Total credit exposures |
|---|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Primary agriculture | - | - | 19,339 | - | - | - | - | | 733,617 | 752,956 |
| Mining and quarrying | - | - | - | - | - | - | - | - | 23,569 | 23,569 |
| Manufacturing | - | - | - | - | - | 978 | - | - | 951,357 | 952,335 |
| Electricity, gas and water supply | - | - | - | 68,635 | - | 590 | - | - | 144,551 | 213,776 |
| Construction | - | - | 9,851 | 158,424 | - | - | - | - | 1,353,911 | 1,522,186 |
| Transport, storage and communications | - | - | 128,347 | 35,510 | 508,767 | 288 | - | - | 701,740 | 1,374,652 |
| Education, health and others | - | - | - | - | - | - | - | - | 2,283,956 | 2,283,956 |
| Wholesale and retail trade, and restaurants and hotels | - | - | - | - | - | - | - | - | 760,120 | 760,120 |
| Finance, takaful, real estate and business activities | 1,951,654 | 163,318 | 789,195 | 395,926 | 93,410 | 111,953 | 44,655 | 96,602 | 2,945,982 | 6,592,695 |
| *Others* | | | | | | | | | | |
| Government and government agencies | 5,031,861 | - | 2,211,988 | 577,999 | - | 47,878 | - | - | 6,788,985 | 14,658,711 |
| Household | - | - | - | - | - | - | - | - | 18,333,454 | 18,333,454 |
| Others | - | - | 9,817 | 51,037 | - | 40,458 | - | - | 51,322 | 152,634 |
| | 6,983,515 | 163,318 | 3,168,537 | 1,287,531 | 602,177 | 202,145 | 44,655 | 96,602 | 35,072,564 | 47,621,044 |

* Other financial assets include amount due from holding company, amount due from related companies and other financial assets.

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

#### (b) Industry sectors (Continued)

(i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows:

**The Group and the Bank**
**31 December 2014**

| | Financial assets held for trading | | Financial investments available-for-sale | | Financial investments held-to-maturity | | |
|---|---|---|---|---|---|---|---|
| | Money market instruments RM'000 | Unquoted securities RM'000 | Money market instruments RM'000 | Unquoted securities RM'000 | Money market instruments RM'000 | Unquoted securities RM'000 | Total credit exposures RM'000 |
| Primary Agriculture | - | 19,359 | - | 71,235 | - | - | 90,594 |
| Mining and quarrying | - | - | - | 20,185 | - | - | 20,185 |
| Manufacturing | - | - | - | 45,857 | - | - | 45,857 |
| Electricity, gas and water supply | - | 10,138 | - | 109,364 | - | 10,410 | 129,912 |
| Construction | - | 15,138 | - | 320,646 | - | - | 335,784 |
| Transport, storage and communications | - | 86,731 | - | 233,456 | - | 519,035 | 839,222 |
| Finance, takaful, real estate and business activities | 992,580 | 149,458 | 8,504 | 510,332 | - | 40,492 | 1,701,366 |
| *Others* | | | | | | | |
| Government and government agencies | 2,263,246 | - | 405,861 | 249,746 | 20,629 | 30,426 | 2,969,908 |
| Others | - | - | - | 48,161 | - | - | 48,161 |
| | 3,255,826 | 280,824 | 414,365 | 1,608,982 | 20,629 | 600,363 | 6,180,989 |

# 45 Financial Risk Management (Continued)

## 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (b) Industry sectors (Continued)

(i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows (Continued):

**The Group and the Bank**
**31 December 2013**

| | Financial assets held for trading | | Financial investments available-for-sale | | Financial investments held-to-maturity | |
|---|---|---|---|---|---|---|
| | **Money market instruments RM'000** | **Unquoted securities RM'000** | **Money market instruments RM'000** | **Unquoted securities RM'000** | **Unquoted securities RM'000** | **Total credit exposures RM'000** |
| Primary Agriculture | - | 19,339 | - | - | - | 19,339 |
| Electricity, gas and water supply | - | - | - | 68,635 | - | 68,635 |
| Construction | - | 9,851 | - | 158,424 | - | 168,275 |
| Transport, storage and communications | - | 128,347 | - | 35,510 | 508,767 | 672,624 |
| Finance, takaful, real estate and business activities | 748,368 | 40,827 | 25,491 | 370,435 | 93,410 | 1,278,531 |
| *Others* | | | | | | |
| Government and government agencies | 2,211,987 | | 412,584 | 165,415 | - | 2,789,986 |
| Others | - | 9,818 | - | 51,037 | - | 60,855 |
| | 2,960,355 | 208,182 | 438,075 | 849,456 | 602,177 | 5,058,245 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (b) Industry sectors (Continued)

(ii) Financing, advances and other financing/loans are further analysed by product types as follows:

The Group and the Bank
31 December 2014

| | Cashline RM'000 | Term financing RM'000 | Bills receivable RM'000 | Islamic trust receipts RM'000 | Claim on customers under Islamic accepted bills RM'000 | Credit card receivables RM'000 | Share purchase financing RM'000 | Revolving credits RM'000 | Ar Rahnu RM'000 | Total credit exposures RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Primary Agriculture | 92,188 | 619,181 | - | - | 5,638 | - | - | 99,794 | - | 816,801 |
| Mining and quarrying | 13,296 | 15,765 | - | - | - | - | - | - | - | 29,061 |
| Manufacturing | 39,879 | 833,475 | - | 3,209 | 126,629 | - | - | 54,486 | - | 1,057,678 |
| Electricity, gas and water supply | - | 4,167 | - | - | - | - | - | - | - | 4,167 |
| Construction | 74,713 | 1,017,417 | - | 1,644 | 25,312 | - | - | 523,240 | - | 1,642,326 |
| Transport, storage and communications | 13,044 | 561,052 | - | 12,058 | 568 | - | - | 39,478 | - | 626,200 |
| Education, health and others | 46,747 | 487,618 | 2,933 | 820 | 27 | - | - | 74,113 | - | 612,258 |
| Wholesale and retail trade, restaurants and hotels | 129,301 | 508,367 | - | - | 225,665 | - | - | 71,211 | - | 934,544 |
| Finance, takaful, real estate and business activities | 119,541 | 2,210,284 | - | 525 | 3,999 | - | - | 1,518,868 | - | 3,853,217 |
| *Others* | | | | | | | | | | |
| Government and government agencies | - | 6,823,187 | - | - | - | - | - | - | - | 6,823,187 |
| Household | 18,525 | 19,687,511 | | | | 108,571 | 9,239 | | 1,590 | 19,825,436 |
| Others | 5,360 | 69,345 | - | - | - | - | - | - | - | 74,705 |
| | 552,594 | 32,837,369 | 2,933 | 18,256 | 387,838 | 108,571 | 9,239 | 2,381,190 | 1,590 | 36,299,580 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (b) Industry sectors (Continued)

(ii) Financing, advances and other financing/loans are further analysed by product types as follows (Continued):

**The Group and the Bank**
**31 December 2013**

| | Cashline RM'000 | Term financing RM'000 | Bills receivable RM'000 | Islamic trust receipts RM'000 | Claim on customers under Islamic accepted bills RM'000 | Credit card receivables RM'000 | Share purchase financing RM'000 | Revolving credits RM'000 | Ar Rahnu RM'000 | Total credit exposures RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Primary Agriculture | 71,726 | 597,206 | - | - | 4,976 | - | - | 59,709 | - | 733,617 |
| Mining and quarrying | 13,663 | 9,907 | - | - | - | - | - | - | - | 23,570 |
| Manufacturing | 43,565 | 717,606 | 1,325 | 11,959 | 122,057 | - | - | 54,846 | - | 951,358 |
| Electricity, gas and water supply | 3 | 144,252 | - | 296 | - | - | - | - | - | 144,551 |
| Construction | 61,936 | 595,900 | - | 1,364 | 29,987 | - | - | 664,724 | - | 1,353,911 |
| Transport, storage and communications | 10,541 | 672,976 | - | 98 | 325 | - | - | 17,801 | - | 701,741 |
| Education, health and others | 34,127 | 2,203,471 | 1,557 | 855 | 37 | - | - | 43,909 | - | 2,283,956 |
| Wholesale and retail trade, and restaurants and hotels | 112,566 | 374,249 | | 9,230 | 199,076 | | | 64,998 | - | 760,119 |
| Finance, takaful, real estate and business activities | 110,764 | 1,593,941 | - | 10 | 2,505 | - | - | 1,238,762 | - | 2,945,982 |
| *Others* | | | | | | | | | | |
| Government and government agencies | - | 6,788,985 | - | - | - | - | - | - | - | 6,788,985 |
| Household | - | 18,215,851 | - | - | - | 100,517 | 16,193 | - | 892 | 18,333,453 |
| Others | 5,048 | 46,164 | - | 84 | 25 | - | - | - | - | 51,321 |
| | 463,939 | 31,960,508 | 2,882 | 23,896 | 358,988 | 100,517 | 16,193 | 2,144,749 | 892 | 35,072,564 |

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

### (b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for financial guarantees and credit related commitments and contingencies, based on the industry sectors of the counterparty are as follows:

| | The Group and the Bank | | | |
|---|---|---|---|---|
| | 31 December 2014 | | 31 December 2013 | |
| | Financial guarantees RM'000 | Credit related commitments and contingencies RM'000 | Financial guarantees RM'000 | Credit related commitments and contingencies RM'000 |
| Primary agriculture | **106** | **138,265** | 100 | 119,030 |
| Mining and quarrying | **700** | **10,046** | - | 3,821 |
| Manufacturing | **11,313** | **750,046** | 21,770 | 551,113 |
| Electricity, gas and water supply | **33,223** | **100,252** | 8,453 | 122,302 |
| Construction | **48,348** | **1,279,158** | 100,124 | 2,664,572 |
| Transport, storage and communications | **2,387** | **110,818** | 3,115 | 138,229 |
| Education, health and others | **3,171** | **143,023** | 2,527 | 228,135 |
| Wholesale and retail trade, and restaurants and hotels | **15,223** | **414,713** | 13,817 | 419,079 |
| Finance, takaful, real estate and business activities | **6,695** | **650,343** | 2,880 | 668,265 |
| *Others* | | | | |
| Household | **-** | **2,086,840** | - | - |
| Others | **-** | **190,229** | - | 548,032 |
| | **121,166** | **5,873,733** | 152,786 | 5,462,578 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets

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

### (i) Financing, advances and other financing/loans

Financing, advances and other financing/loans are summarised as follows:

| | The Group and the Bank 31 December 2014 | | | |
|---|---|---|---|---|
| | Neither past due nor impaired (a) | Past due but not impaired (b) | Impaired (c) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cashline | **537,237** | **11,166** | **16,554** | **564,957** |
| Term financing | **30,051,710** | **2,712,242** | **429,838** | **33,193,790** |
| Bills receivable | **2,939** | **-** | **-** | **2,939** |
| Islamic trust receipts | **18,144** | **204** | **870** | **19,218** |
| Claim on customers under Islamic accepted bills | **380,870** | **3,661** | **7,452** | **391,983** |
| Share purchase financing | **9,230** | **-** | **223** | **9,453** |
| Credit card receivables | **101,722** | **7,280** | **2,915** | **111,917** |
| Revolving credits | **2,389,876** | **-** | **-** | **2,389,876** |
| Ar Rahnu | **1,581** | **-** | **9** | **1,590** |
| Total | **33,493,309** | **2,734,553** | **457,861** | **36,685,723** |
| Less: Impairment allowances | | | | **(386,143)** * |
| **Total net amount** | | | | **36,299,580** |

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets (Continued)

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

Financing, advances and other financing/loans are summarised as follows (Continued):

| | The Group and the Bank<br>31 December 2013 | | | | |
|---|---|---|---|---|---|
| | Neither past due nor impaired<br>(a) | Past due but not impaired<br>(b) | Impaired<br>(c) | Total | |
| | RM'000 | RM'000 | RM'000 | RM'000 | |
| Cashline | 436,131 | 27,402 | 14,599 | 478,132 | |
| Term financing | 29,146,071 | 2,901,933 | 274,690 | 32,322,694 | |
| Bills receivable | 2,885 | - | - | 2,885 | |
| Islamic trust receipts | 21,974 | 1,036 | 2,924 | 25,934 | |
| Claim on customers under Islamic accepted bills | 353,857 | 3,194 | 13,703 | 370,754 | |
| Share purchase financing | 16,218 | - | 223 | 16,441 | |
| Credit card receivables | 99,363 | 2,801 | 2,285 | 104,449 | |
| Revolving credits | 2,155,306 | - | 1,727 | 2,157,033 | |
| Ar Rahnu | 892 | - | - | 892 | |
| Total | 32,232,697 | 2,936,366 | 310,151 | 35,479,214 | |
| Less: Impairment allowances | | | | (406,650) | * |
| **Total net amount** | | | | 35,072,564 | |

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

#### 45.1.4 Credit quality of financial assets (Continued)

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

**(a) Financing, advances and other financing/loans that are "neither past due nor impaired"**

The credit quality of financing, advances and other financing/loans that are "neither past due nor impaired" can be assessed by reference to the internal rating system adopted by the Group and the Bank.

| | The Group and the Bank 31 December 2014 | | | |
|---|---|---|---|---|
| | **Good** | **Satisfactory** | **No rating** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Cashline | **453,810** | **23,404** | **60,023** | **537,237** |
| Term financing | | | | |
| - House financing | **-** | **-** | **8,991,125** | **8,991,125** |
| - Syndicated term financing | **577,068** | **-** | **-** | **577,068** |
| - Other term financing | **9,231,957** | **240,056** | **7,407,124** | **16,879,137** |
| - Hire purchase receivables | **-** | **-** | **3,604,380** | **3,604,380** |
| Bills receivable | **800** | **-** | **2,139** | **2,939** |
| Islamic trust receipts | **17,807** | **-** | **337** | **18,144** |
| Claim on customers under Islamic accepted bills | **320,558** | **21,681** | **38,631** | **380,870** |
| Share purchase financing | **-** | **-** | **9,230** | **9,230** |
| Credit card receivables | **-** | **-** | **101,722** | **101,722** |
| Revolving credits | **2,387,862** | **2,014** | **-** | **2,389,876** |
| Ar Rahnu | **-** | **-** | **1,581** | **1,581** |
| **Total** | **12,989,862** | **287,155** | **20,216,292** | **33,493,309** |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets (Continued)

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

### (a) Financing, advances and other financing/loans that are "neither past due nor impaired" (Continued)

The credit quality of financing, advances and other financing/loans that are "neither past due nor impaired" can be assessed by reference to the internal rating system adopted by the Group and the Bank (Continued).

| | The Group and the Bank 31 December 2013 | | | |
|---|---|---|---|---|
| | Good | Satisfactory | No rating | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cashline | 365,456 | 38,271 | 32,404 | 436,131 |
| Term financing | | | | |
| - House financing | - | - | 8,319,880 | 8,319,880 |
| - Syndicated term financing | 502,996 | - | - | 502,996 |
| - Other term financing | 8,159,429 | 212,974 | 7,503,500 | 15,875,903 |
| - Hire purchase receivables | - | - | 4,447,292 | 4,447,292 |
| Bills receivable | 322 | - | 2,563 | 2,885 |
| Islamic trust receipts | 20,108 | 830 | 1,036 | 21,974 |
| Claim on customers under Islamic accepted bills | 344,848 | 6,231 | 2,778 | 353,857 |
| Share purchase financing | - | - | 16,218 | 16,218 |
| Credit card receivables | - | - | 99,363 | 99,363 |
| Revolving credits | 2,092,665 | - | 62,641 | 2,155,306 |
| Ar Rahnu | - | - | 892 | 892 |
| **Total** | 11,485,824 | 258,306 | 20,488,567 | 32,232,697 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets (Continued)

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

**(a) Financing, advances and other financing/loans that are "neither past due nor impaired" (Continued)**

Credit quality descriptions can be summarised as follows:

**Good** - There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Bank.

**Satisfactory** - There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts.

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

# 45 Financial Risk Management (Continued)

## 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets (Continued)

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

**(b) Financing, advances and other financing/loans that are "past due but not impaired"**

The Group and the Bank consider an asset is past due when any payment due under strict contractual terms is received late or missed. However, financing, advances and other financing/loans which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

An age analysis of financing, advances and other financing/loans that are "past due but not impaired" is set out below:

| | The Group and the Bank | | | | | |
|---|---|---|---|---|---|---|
| | 31 December 2014 | | | 31 December 2013 | | |
| | Up to 1 month RM'000 | >1 to 3 months RM'000 | Total RM'000 | Up to 1 month RM'000 | >1 to 3 months RM'000 | Total RM'000 |
| Cashline | **10,677** | **489** | **11,166** | 24,265 | 3,137 | 27,402 |
| Term financing | **2,491,318** | **220,924** | **2,712,242** | 1,909,205 | 992,728 | 2,901,933 |
| Islamic trust receipts | **204** | **-** | **204** | - | 1,036 | 1,036 |
| Claim on customers under Islamic accepted bills | **1,288** | **2,373** | **3,661** | 3,194 | - | 3,194 |
| Credit card receivables | **6,143** | **1,137** | **7,280** | 1,759 | 1,042 | 2,801 |
| **Total** | **2,509,630** | **224,923** | **2,734,553** | 1,938,423 | 997,943 | 2,936,366 |

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets (Continued)

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

### (c) Impaired financing, advances and other financing/loans

| | The Group and the Bank | |
|---|---|---|
| | **31 December 2014 RM'000** | **31 December 2013 RM'000** |
| Total gross impaired financing, advances and other financing/loans | **457,861** | 310,151 |
| Less: Impairment allowances | **(191,562)** | (176,141) |
| Total net impaired financing, advances and other financing/loans | **266,299** | 134,010 |

Refer to Note 8(vii) for analysis of “impaired” financing, advances and other financing/loans by economic purpose.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets (Continued)

### (ii) Financial assets held for trading and financial investments

Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

| | The Group and the Bank | |
|---|---|---|
| | 31 December 2014 | 31 December 2013 |
| | Neither past due nor impaired | Neither past due nor impaired |
| | RM'000 | RM'000 |
| Financial assets held for trading | | |
| - Money market instruments | **3,255,826** | 2,960,355 |
| - Unquoted securities | **280,824** | 208,182 |
| Financial investments available-for-sale | | |
| - Money market instruments | **414,365** | 438,075 |
| - Unquoted securities | **1,608,982** | 849,456 |
| Financial investments held-to-maturity | | |
| - Money market instruments | **20,629** | - |
| - Unquoted securities | **600,363** | 602,177 |
| **Total** | **6,180,989** | 5,058,245 |

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are "past due but not impaired" or "impaired" as at 31 December 2014 and 31 December 2013 for the Group and the Bank.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets (Continued)

### (ii) Financial assets held for trading and financial investments (Continued)

### (a) Financial assets held for trading and financial investments that are "neither past due nor impaired"

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

| | The Group and the Bank 31 December 2014 | | | |
|---|---|---|---|---|
| | Sovereign | Investment grade (AAA to BBB-) | Others (no rating) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets held for trading | | | | |
| - Money market instruments | **2,263,246** | **992,580** | **-** | **3,255,826** |
| - Unquoted securities | **-** | **280,824** | **-** | **280,824** |
| Financial investments available-for-sale | | | | |
| - Money market instruments | **405,861** | **8,504** | **-** | **414,365** |
| - Unquoted securities | **488,151** | **1,120,831** | **-** | **1,608,982** |
| Financial investments held-to-maturity | | | | |
| - Money market instruments | **20,629** | **-** | **-** | **20,629** |
| - Unquoted securities | **30,426** | **61,101** | **508,836** | **600,363** |
| **Total** | **3,208,313** | **2,463,840** | **508,836** | **6,180,989** |

| | The Group and the Bank 31 December 2013 | | | |
|---|---|---|---|---|
| | Sovereign | Investment grade (AAA to BBB-) | Others (no rating) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets held for trading | | | | |
| - Money market instruments | 2,211,987 | 748,368 | - | 2,960,355 |
| - Unquoted securities | - | 208,182 | - | 208,182 |
| Financial investments available-for-sale | | | | |
| - Money market instruments | 412,584 | 25,491 | - | 438,075 |
| - Unquoted securities | 351,163 | 498,293 | - | 849,456 |
| Financial investments held-to-maturity | | | | |
| - Unquoted securities | - | - | 602,177 | 602,177 |
| **Total** | 2,975,734 | 1,480,334 | 602,177 | 5,058,245 |

Securities with no rating mainly consist of private debt securities.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets (Continued)

#### (iii) Credit risk of other financial assets

An analysis of the credit quality of the Group's and the Bank's other financial assets that are "neither past due nor impaired" is summarised below:

| | The Group 31 December 2014 | | | | |
|---|---|---|---|---|---|
| | Sovereign | Investment Grade (AAA to BBB-) | Non Investment Grade (BB+ and below) | Others (no rating) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and short-term funds | **4,011,566** | **1,119,975** | **840** | **2,278** | **5,134,659** |
| Deposits and placements with banks and other financial institutions | | **-** | **-** | **218,934** | **218,934** |
| Other assets | **-** | **27,715** | **-** | **64,995** | **92,710** |
| Islamic derivative financial instruments | **-** | **203,968** | **29,984** | **29,913** | **263,865** |
| Amount due from holding company | **-** | **106,783** | **-** | **-** | **106,783** |
| Amount due from related companies | **-** | **25** | **-** | **637** | **662** |
| **Total** | **4,011,566** | **1,458,466** | **30,824** | **316,757** | **5,817,613** |

| | The Group 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | Sovereign | Investment Grade (AAA to BBB-) | Non Investment Grade (BB+ and below) | Others (no rating) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and short-term funds | 5,031,861 | 1,882,727 | - | 68,973 | 6,983,561 |
| Deposits and placements with banks and other financial institutions | | - | - | 163,318 | 163,318 |
| Other assets | - | 28,230 | - | 67,954 | 96,184 |
| Islamic derivative financial instruments | - | 212,345 | 2,132 | 32,323 | 246,800 |
| Amount due from related companies | - | - | - | 418 | 418 |
| **Total** | 5,031,861 | 2,123,302 | 2,132 | 332,986 | 7,490,281 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.1 Credit risk (Continued)

### 45.1.4 Credit quality of financial assets (Continued)

**(iii) Credit risk of other financial assets (Continued)**

An analysis of the credit quality of the Group's and the Bank's other financial assets that are "neither past due nor impaired" is summarised below (Continued):

| | The Bank 31 December 2014 | | | | |
|---|---|---|---|---|---|
| | Sovereign | Investment Grade (AAA to BBB-) | Non Investment Grade (BB+ and below) | Others (no rating) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and short-term funds | **4,011,519** | **1,119,975** | **840** | **2,278** | **5,134,612** |
| Deposits and placements with banks and other financial institutions | - | - | - | **218,934** | **218,934** |
| Other assets | - | **27,715** | - | **64,995** | **92,710** |
| Islamic derivative financial instruments | - | **203,968** | **29,984** | **29,913** | **263,865** |
| Amount due from holding company | - | **106,783** | - | - | **106,783** |
| Amount due from related companies | - | **25** | - | **637** | **662** |
| **Total** | **4,011,519** | **1,458,466** | **30,824** | **316,757** | **5,817,566** |

| | The Bank 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | Sovereign | Investment Grade (AAA to BBB-) | Non Investment Grade (BB+ and below) | Others (no rating) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and short-term funds | 5,031,861 | 1,882,681 | - | 68,973 | 6,983,515 |
| Deposits and placements with banks and other financial institutions | - | - | - | 163,318 | 163,318 |
| Other assets | - | 28,230 | - | 67,954 | 96,184 |
| Islamic derivative financial instruments | - | 212,345 | 2,132 | 32,323 | 246,800 |
| Amount due from related companies | - | - | - | 418 | 418 |
| **Total** | 5,031,861 | 2,123,256 | 2,132 | 332,986 | 7,490,235 |

There were no other financial assets that are "past due but not impaired" or "impaired" as at 31 December 2014 and 31 December 2013 for the Group and the Bank.

### 45.1.5 Repossessed collateral

The Group and the Bank has not taken possession of any collateral held as security.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 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 benchmark 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 and Group Underwriting Committee ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GMRC and GUC, supported by the Market Risk Centre of Excellence in GRD is responsible to measure and control market risk of the Group through robust measurement and the setting of limits while facilitating business growth within a controlled and transparent risk management framework.

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

Broadly, the Group is exposed to four major types of market risk namely equity risk, benchmark 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.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

**Market Risk Management (MRM) (Continued)**

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to Group Market Risk Committee, GRC and BRC for its perusal. The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2014 is shown in table 45.2.1.

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

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

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

In addition to the above, 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.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

**Market Risk Management (MRM) (Continued)**

The Market Risk Centre of Excellence also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. The MTM process is carried out on all positions classified as financial asset held for trading as well as financial investment 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.

Treasury products approval processes will be led by MRM Centre of Excellence to ensure operational readiness before launching. All new products are assessed by components and in totality to ensure financial risks are accurately identified, monitored and effectively managed.

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. Back-testing of newly approved or revised models may be conducted to assess the appropriateness of the model and input data used.

*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 for Islamic Banks (CAFIB) (Risk-Weighted Assets).

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

#### 45.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures are set out below:

| | The Group | | The Bank | |
|---|---|---|---|---|
| | 31 December 2014 RM'000 | 31 December 2013 RM'000 | 31 December 2014 RM'000 | 31 December 2013 RM'000 |
| **VaR** | | | | |
| Foreign exchange risk | **331** | 2,101 | **331** | 2,101 |
| Profit rate risk | **771** | 679 | **771** | 679 |
| **Total** | **1,102** | 2,780 | **1,102** | 2,780 |
| | | | | |
| Total shareholder's funds | **3,211,470** | 2,670,928 | **3,211,444** | 2,670,902 |
| Percentage over shareholder's funds | **0.03%** | 0.10% | **0.03%** | 0.10% |

#### 45.2.2 Profit rate risk

Profit rate risk relates to the potential adverse impact on the net profit income arising from the changes in market rates. One of the primary sources of profit rate risk is the repricing mismatches between profit earning assets and profit bearing liabilities. Profit rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk (EaR).

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk

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

**The Group**
**31 December 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-profit sensitive RM'000** | **Trading book RM'000** | **Total RM'000** |
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | **4,959,559** | **-** | **-** | **-** | **-** | **-** | **175,100** | **-** | **5,134,659** |
| Deposits and placements with banks and other financial institutions | **-** | **92,874** | **52,447** | **73,077** | **-** | **-** | **536** | **-** | **218,934** |
| Financial assets held for trading | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **3,536,650** | **3,536,650** |
| Financial investments available-for-sale | **-** | **19,990** | **-** | **19,959** | **863,281** | **1,100,384** | **20,308** | **-** | **2,023,922** |
| Financial investments held-to-maturity | **-** | **-** | **-** | **-** | **43,061** | **567,818** | **10,113** | **-** | **620,992** |
| Islamic derivative financial instruments: | | | | | | | | | |
| - Trading derivatives | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **234,392** | **234,392** |
| - Hedging derivatives | **-** | **-** | **-** | **-** | **23,834** | **5,639** | **-** | **-** | **29,473** |
| Financing, advances and other financing/loans | **23,163,159** | **387,212** | **425,558** | **89,289** | **3,808,227** | **8,426,135** | **-** | **-** | **36,299,580** |
| Other assets | **-** | **-** | **-** | **-** | **-** | **-** | **92,710** | **-** | **92,710** |
| Amount due from holding company | **-** | **-** | **-** | **-** | **-** | **-** | **106,783** | **-** | **106,783** |
| Amount due from related companies | **-** | **-** | **-** | **-** | **-** | **-** | **662** | **-** | **662** |
| **Total financial assets** | **28,122,718** | **500,076** | **478,005** | **182,325** | **4,738,403** | **10,099,976** | **406,212** | **3,771,042** | **48,298,757** |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk (Continued)

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

**The Group**
**31 December 2014**

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Up to 1 month RM'000** | **> 1 – 3 months RM'000** | **> 3 – 6 months RM'000** | **> 6 – 12 months RM'000** | **> 1 – 5 years RM'000** | **Over 5 years RM'000** | **Non-profit sensitive RM'000** | **Trading book RM'000** | **Total RM'000** |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 29,402,508 | 8,511,194 | 1,751,272 | 981,334 | 379,109 | 168,580 | 134,047 | - | 41,328,044 |
| Deposits and placements of banks and other financial institutions | 2,309,273 | 1,318,463 | 2,843 | 874 | - | - | 13,260 | - | 3,644,713 |
| Financial liabilities designated at fair value | - | - | - | - | 158,386 | - | - | (8,551) | 149,835 |
| Islamic derivative financial instruments: | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 213,118 | 213,118 |
| - Hedging derivatives | - | - | - | - | 61,167 | 55,912 | - | - | 117,079 |
| Other liabilities | - | - | - | - | - | - | 74,187 | - | 74,187 |
| Amount due to related company | - | - | - | - | - | - | 16,538 | - | 16,538 |
| Subordinated sukuk | - | - | - | - | 550,644 | 295,073 | 10,309 | - | 856,026 |
| **Total financial liabilities** | 31,711,781 | 9,829,657 | 1,754,115 | 982,208 | 1,149,306 | 519,565 | 248,341 | 204,567 | 46,399,540 |
| **Net profit sensitivity gap** | (3,589,063) | (9,329,581) | (1,276,110) | (799,883) | 3,589,097 | 9,580,411 | | 3,566,475 | |
| **Financial guarantees and commitments and contingencies** | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 121,166 | - | 121,166 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 5,873,733 | - | 5,873,733 |
| Treasury related commitments and contingencies | - | - | - | - | 3,900,000 | 3,016,136 | - | - | 6,916,136 |
| **Net profit sensitivity gap** | - | - | - | - | 3,900,000 | 3,016,136 | 5,994,899 | - | 12,911,035 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk (Continued)

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

**The Group**
**31 December 2013**

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | Over 5 years | Non-profit sensitive | Trading book | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 6,863,371 | - | - | - | - | - | 120,190 | - | 6,983,561 |
| Deposits and placements with banks and other financial institutions | - | 163,108 | - | - | - | - | 210 | - | 163,318 |
| Financial assets held for trading | - | - | - | - | - | - | - | 3,168,537 | 3,168,537 |
| Financial investments available-for-sale | - | 65,092 | - | 43,037 | 421,733 | 744,729 | 13,515 | - | 1,288,106 |
| Financial investments held-to-maturity | - | - | - | - | 93,383 | 500,000 | 8,794 | - | 602,177 |
| Islamic derivative financial instruments: | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 202,145 | 202,145 |
| - Hedging derivatives | - | - | - | - | 33,619 | 11,036 | - | - | 44,655 |
| Financing, advances and other financing/loans | 24,816,871 | 425,713 | 316,135 | 64,318 | 2,246,721 | 7,202,806 | - | - | 35,072,564 |
| Other assets | - | - | - | - | - | - | 96,184 | - | 96,184 |
| Amount due from related companies | - | - | - | - | - | - | 418 | - | 418 |
| Total financial assets | 31,680,242 | 653,913 | 316,135 | 107,355 | 2,795,456 | 8,458,571 | 239,311 | 3,370,682 | 47,621,665 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk (Continued)

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

**The Group**
**31 December 2013**

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Up to 1 month RM'000** | **> 1 – 3 months RM'000** | **> 3 – 6 months RM'000** | **> 6 – 12 months RM'000** | **> 1 – 5 years RM'000** | **Over 5 years RM'000** | **Non-profit sensitive RM'000** | **Trading book RM'000** | **Total RM'000** |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 28,731,569 | 5,935,055 | 2,544,782 | 549,847 | 448,206 | 172,354 | 85,061 | - | 38,466,874 |
| Deposits and placements of banks and other financial institutions | 1,770,363 | 2,567,072 | 1,672,820 | 500,000 | - | - | 61,656 | - | 6,571,911 |
| Financial liabilities designated at fair value | - | - | - | - | 154,680 | - | - | (8,464) | 146,216 |
| Islamic derivative financial instruments: | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 170,950 | 170,950 |
| - Hedging derivatives | - | - | - | - | 6,185 | 108,242 | - | - | 114,427 |
| Other liabilities | - | - | - | - | - | - | 84,733 | - | 84,733 |
| Amount due to holding company | - | - | - | - | - | - | 115,538 | - | 115,538 |
| Amount due to related company | - | - | - | - | - | - | 6,433 | - | 6,433 |
| Subordinated sukuk | - | - | - | - | 252,436 | 593,977 | 10,309 | - | 856,722 |
| Total financial liabilities | 30,501,932 | 8,502,127 | 4,217,602 | 1,049,847 | 861,507 | 874,573 | 363,730 | 162,486 | 46,533,804 |
| Net profit sensitivity gap | 1,178,310 | (7,848,214) | (3,901,467) | (942,492) | 1,933,949 | 7,583,998 | | 3,208,196 | |
| **Financial guarantees and commitments and contingencies** | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 152,786 | - | 152,786 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 5,462,578 | - | 5,462,578 |
| Treasury related commitments and contingencies | - | - | - | - | 2,540,304 | 4,390,123 | - | - | 6,930,427 |
| **Net profit sensitivity gap** | - | - | - | - | 2,540,304 | 4,390,123 | 5,615,364 | - | 12,545,791 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk (Continued)

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

**The Bank**
**31 December 2014**

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | Non-profit sensitive RM'000 | Trading book RM'000 | Total RM'000 |
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 4,959,559 | - | - | - | - | - | 175,053 | - | 5,134,612 |
| Deposits and placements with banks and other financial institutions | - | 92,874 | 52,447 | 73,077 | - | - | 536 | - | 218,934 |
| Financial assets held for trading | - | - | - | - | - | - | - | 3,536,650 | 3,536,650 |
| Financial investments available-for-sale | - | 19,990 | - | 19,959 | 863,281 | 1,100,384 | 20,308 | - | 2,023,922 |
| Financial investments held-to-maturity | - | - | - | - | 43,061 | 567,818 | 10,113 | - | 620,992 |
| Islamic derivative financial instruments: | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 234,392 | 234,392 |
| - Hedging derivatives | - | - | - | - | 23,834 | 5,639 | - | - | 29,473 |
| Financing, advances and other financing/loans | 23,163,159 | 387,212 | 425,558 | 89,289 | 3,808,227 | 8,426,135 | - | - | 36,299,580 |
| Other assets | - | - | - | - | - | - | 92,710 | - | 92,710 |
| Amount due from holding company | - | - | - | - | - | - | 106,783 | - | 106,783 |
| Amount due from related companies | - | - | - | - | - | - | 662 | - | 662 |
| **Total financial assets** | 28,122,718 | 500,076 | 478,005 | 182,325 | 4,738,403 | 10,099,976 | 406,165 | 3,771,042 | 48,298,710 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk (Continued)

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

**The Bank**
**31 December 2014**

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | Over 5 years | Non-profit sensitive | Trading book | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 29,402,508 | 8,511,194 | 1,751,272 | 981,334 | 379,109 | 168,580 | 134,047 | - | 41,328,044 |
| Deposits and placements of banks and other financial institutions | 2,309,273 | 1,318,463 | 2,843 | 874 | - | - | 13,260 | - | 3,644,713 |
| Financial liabilities designated at fair value | - | - | - | - | 158,386 | - | - | (8,551) | 149,835 |
| Islamic derivative financial instruments: | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 213,118 | 213,118 |
| - Hedging derivatives | - | - | - | - | 61,167 | 55,912 | - | - | 117,079 |
| Other liabilities | - | - | - | - | - | - | 74,187 | - | 74,187 |
| Amount due to related company | - | - | - | - | - | - | 16,537 | - | 16,537 |
| Subordinated sukuk | - | - | - | - | 550,644 | 295,073 | 10,309 | - | 856,026 |
| **Total financial liabilities** | 31,711,781 | 9,829,657 | 1,754,115 | 982,208 | 1,149,306 | 519,565 | 248,340 | 204,567 | 46,399,539 |
| **Net profit sensitivity gap** | (3,589,063) | (9,329,581) | (1,276,110) | (799,883) | 3,589,097 | 9,580,411 | | 3,566,475 | |
| **Financial guarantees and commitments and contingencies** | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 121,166 | - | 121,166 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 5,873,733 | - | 5,873,733 |
| Treasury related commitments and contingencies | - | - | - | - | 3,900,000 | 3,016,136 | - | - | 6,916,136 |
| **Net profit sensitivity gap** | - | - | - | - | 3,900,000 | 3,016,136 | 5,994,899 | - | 12,911,035 |

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk (Continued)

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

| The Bank 31 December 2013 | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | Non-profit sensitive RM'000 | Trading book RM'000 | Total RM'000 |
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 6,863,371 | - | - | - | - | - | 120,144 | - | 6,983,515 |
| Deposits and placements with banks and other financial institutions | - | 163,108 | - | - | - | - | 210 | - | 163,318 |
| Financial assets held for trading | - | - | - | - | - | - | - | 3,168,537 | 3,168,537 |
| Financial investments available-for-sale | - | 65,092 | - | 43,037 | 421,733 | 744,729 | 13,515 | - | 1,288,106 |
| Financial investments held-to-maturity | - | - | - | - | 93,383 | 500,000 | 8,794 | - | 602,177 |
| Islamic derivative financial instruments: | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 202,145 | 202,145 |
| - Hedging derivatives | - | - | - | - | 33,619 | 11,036 | - | - | 44,655 |
| Financing, advances and other financing/loans | 24,816,871 | 425,713 | 316,135 | 64,318 | 2,246,721 | 7,202,806 | - | - | 35,072,564 |
| Other assets | - | - | - | - | - | - | 96,184 | - | 96,184 |
| Amount due from related companies | - | - | - | - | - | - | 418 | - | 418 |
| Total financial assets | 31,680,242 | 653,913 | 316,135 | 107,355 | 2,795,456 | 8,458,571 | 239,265 | 3,370,682 | 47,621,619 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk (Continued)

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

**The Bank**
**31 December 2013**

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | Non-profit sensitive RM'000 | Trading book RM'000 | Total RM'000 |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 28,731,569 | 5,935,055 | 2,544,782 | 549,847 | 448,206 | 172,354 | 85,061 | - | 38,466,874 |
| Deposits and placements of banks and other financial institutions | 1,770,363 | 2,567,072 | 1,672,820 | 500,000 | - | - | 61,656 | - | 6,571,911 |
| Financial liabilities designated at fair value | - | - | - | - | 154,680 | - | - | (8,464) | 146,216 |
| Islamic derivative financial instruments: | | | | | | | | | |
| - Trading derivatives | - | - | - | - | - | - | - | 170,950 | 170,950 |
| - Hedging derivatives | - | - | - | - | 6,185 | 108,242 | - | - | 114,427 |
| Other liabilities | - | - | - | - | - | - | 84,733 | - | 84,733 |
| Amount due to holding company | - | - | - | - | - | - | 115,538 | - | 115,538 |
| Amount due to related company | - | - | - | - | - | - | 6,433 | - | 6,433 |
| Subordinated sukuk | - | - | - | - | 252,436 | 593,977 | 10,309 | - | 856,722 |
| Total financial liabilities | 30,501,932 | 8,502,127 | 4,217,602 | 1,049,847 | 861,507 | 874,573 | 363,730 | 162,486 | 46,533,804 |
| Net profit sensitivity gap | 1,178,310 | (7,848,214) | (3,901,467) | (942,492) | 1,933,949 | 7,583,998 | | 3,208,196 | |
| **Financial guarantees and commitments and contingencies** | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 152,786 | - | 152,786 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 5,462,578 | - | 5,462,578 |
| Treasury related commitments and contingencies | - | - | - | - | 2,540,304 | 4,390,123 | - | - | 6,930,427 |
| **Net profit sensitivity gap** | - | - | - | - | 2,540,304 | 4,390,123 | 5,615,364 | - | 12,545,791 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk (Continued)

The profit rate risk for financial investments available-for-sale, financial investments held-to-maturity and financing, advances and other financing/loans of the Group and the Bank are further analysed by classes of financial assets as follows:

| | The Group and the Bank 31 December 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-profit sensitive RM'000 | Total RM'000 |
| Financial investments available-for-sale: | | | | | | | | |
| - Money market instruments | - | - | - | 19,959 | 69,210 | 322,307 | 2,889 | 414,365 |
| - Unquoted securities | - | 19,990 | - | - | 794,071 | 778,076 | 17,420 | 1,609,557 |
| Financial investments held-to-maturity: | | | | | | | | |
| - Money market instruments | - | - | - | - | 13,060 | 7,492 | 77 | 20,629 |
| - Unquoted securities | - | - | - | - | 30,000 | 560,327 | 10,036 | 600,363 |
| Financing, advances and other financing/loans: | | | | | | | | |
| - Cashline | 552,594 | - | - | - | - | - | - | 552,594 |
| - Term financing | 20,861,632 | 3,902 | 21,388 | 69,545 | 3,457,402 | 8,423,500 | - | 32,837,369 |
| - Bills receivable | 2,933 | - | - | - | - | - | - | 2,933 |
| - Trust receipts | 2,617 | 12,733 | 2,906 | - | - | - | - | 18,256 |
| - Claim on customers under Islamic accepted bills | 181,500 | 175,770 | 30,568 | - | - | - | - | 387,838 |
| - Share purchase financing | 9,239 | - | - | - | - | - | - | 9,239 |
| - Credit card receivables | 108,571 | - | - | - | - | - | - | 108,571 |
| - Revolving credits | 1,443,860 | 194,268 | 369,859 | 19,743 | 350,824 | 2,636 | - | 2,381,190 |
| - Ar Rahnu | 215 | 540 | 835 | - | - | - | - | 1,590 |
| **Total** | 23,163,161 | 407,203 | 425,556 | 109,247 | 4,714,567 | 10,094,338 | 30,422 | 38,944,494 |

# Notes to the Financial Statements
# for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (a) Profit rate risk (Continued)

The profit rate risk for financial investments available-for-sale, financial investments held-to-maturity and financing, advances and other financing/loans of the Group and the Bank are further analysed by classes of financial assets as follows (Continued):

| | The Group and the Bank 31 December 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-trading book | | | | | | | |
| | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | Non-profit sensitive RM'000 | Total RM'000 |
| Financial investments available-for-sale: | | | | | | | | |
| - Money market instruments | - | 65,092 | - | 20,065 | 72,305 | 276,354 | 4,259 | 438,075 |
| - Unquoted securities | - | - | - | 22,971 | 349,427 | 468,377 | 9,256 | 850,031 |
| Financial investments held-to-maturity: | | | | | | | | |
| - Unquoted securities | - | - | - | - | 93,383 | 500,000 | 8,794 | 602,177 |
| Financing, advances and other financing/loans: | | | | | | | | |
| - Cashline | 463,939 | - | - | - | - | - | - | 463,939 |
| - Term financing | 22,431,097 | 3,469 | 12,097 | 64,318 | 2,246,721 | 7,202,806 | - | 31,960,508 |
| - Bills receivable | 2,882 | - | - | - | - | - | - | 2,882 |
| - Trust receipts | 10,028 | 5,545 | 8,323 | - | - | - | - | 23,896 |
| - Claim on customers under Islamic accepted bills | 142,913 | 158,561 | 57,514 | - | - | - | - | 358,988 |
| - Share purchase financing | 16,193 | - | - | - | - | - | - | 16,193 |
| - Credit card receivables | 100,517 | - | - | - | - | - | - | 100,517 |
| - Revolving credits | 1,648,410 | 258,138 | 238,201 | - | - | - | - | 2,144,749 |
| - Ar Rahnu | 892 | - | - | - | - | - | - | 892 |
| **Total** | 24,816,871 | 490,805 | 316,135 | 107,354 | 2,761,836 | 8,447,537 | 22,309 | 36,962,847 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

### (b) Sensitivity of profit and reserves

### (i) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

| | The Group and the Bank | | | |
|---|---|---|---|---|
| | 31 December 2014 | | 31 December 2013 | |
| | + 100 basis points RM'000 | - 100 basis points RM'000 | + 100 basis points RM'000 | - 100 basis points RM'000 |
| Impact to profit (after tax) | **(90,828)** | **90,828** | (60,170) | 60,170 |

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.2 Profit rate risk (Continued)

**(b) Sensitivity of profit and reserves (Continued)**

**(ii) Sensitivity of reserves**

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

| | The Group and the Bank | | | |
|---|---|---|---|---|
| | 31 December 2014 | | 31 December 2013 | |
| | + 100 basis points | - 100 basis points | + 100 basis points | - 100 basis points |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impact to revaluation reserve - financial investments available-for-sale | **(110,372)** | **110,372** | (69,318) | 69,318 |

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group and the Bank would take to mitigate the impact of this profit rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective profit movements.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

#### 45.2.3 Foreign exchange risk

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

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

#### (a) Foreign exchange risk

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank:

The Group
31 December 2014

| | MYR RM'000 | USD RM'000 | SGD RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and short-term funds | 4,870,933 | 37,401 | 2,360 | 223,965 | 263,726 | 5,134,659 |
| Deposits and placements with banks and other financial institutions | - | 164,298 | - | 54,636 | 218,934 | 218,934 |
| Financial assets held for trading: | | | | | | |
| - Money market instruments | 3,255,826 | - | - | - | - | 3,255,826 |
| - Unquoted securities | 181,418 | 99,406 | - | - | 99,406 | 280,824 |
| Financial investments available-for-sale: | | | | | | |
| - Money market instruments | 394,615 | 19,750 | - | - | 19,750 | 414,365 |
| - Unquoted securities | 1,605,875 | 3,682 | - | - | 3,682 | 1,609,557 |
| Financial investments held-to-maturity: | | | | | | |
| - Money market instruments | 20,629 | - | - | - | - | 20,629 |
| - Unquoted securities | 600,363 | - | - | - | - | 600,363 |
| Islamic derivative financial instruments: | | | | | | |
| - Trading derivatives | 74,194 | 151,821 | 1 | 8,376 | 160,198 | 234,392 |
| - Hedging derivatives | 29,473 | - | - | - | - | 29,473 |
| Financing, advances and other financing/loans: | | | | | | |
| - Cashline | 552,594 | - | - | - | - | 552,594 |
| - Term financing | 32,837,369 | - | - | - | - | 32,837,369 |
| - Bills receivable | 2,933 | - | - | - | - | 2,933 |
| - Islamic trust receipts | 14,737 | 3,519 | - | - | 3,519 | 18,256 |
| - Claim on customers under Islamic accepted bills | 387,838 | - | - | - | - | 387,838 |
| - Share purchase financing | 9,239 | - | - | - | - | 9,239 |
| - Credit card receivables | 108,571 | - | - | - | - | 108,571 |
| - Revolving credit | 2,381,190 | - | - | - | - | 2,381,190 |
| - Ar Rahnu | 1,590 | - | - | - | - | 1,590 |
| Other assets | 92,710 | - | - | - | - | 92,710 |
| Amount due from holding company | 106,783 | - | - | - | - | 106,783 |
| Amount due from related companies | 662 | - | - | - | - | 662 |
| | 47,529,542 | 479,877 | 2,361 | 286,977 | 769,215 | 48,298,757 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.3 Foreign exchange risk (Continued)

### (a) Foreign exchange risk (Continued)

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| | The Group 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | MYR RM'000 | USD RM'000 | SGD RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
| **Financial liabilities** | | | | | | |
| Deposits from customers | 40,614,278 | 619,380 | 3,477 | 90,909 | 713,766 | 41,328,044 |
| Deposits and placements of banks and other financial institutions | 3,420,961 | 223,752 | - | - | 223,752 | 3,644,713 |
| Financial liabilities designated at fair value | 149,835 | - | - | - | - | 149,835 |
| Islamic derivative financial instruments: | | | | | | |
| - Trading derivatives | 72,478 | 132,305 | 1 | 8,335 | 140,641 | 213,119 |
| - Hedging derivatives | 116,787 | 292 | - | - | 292 | 117,079 |
| Amount due to related companies | 16,538 | - | - | - | - | 16,538 |
| Other liabilities | 74,187 | - | - | - | - | 74,187 |
| Subordinated sukuk | 856,026 | - | - | - | - | 856,026 |
| | 45,321,090 | 975,729 | 3,478 | 99,244 | 1,078,451 | 46,399,541 |
| Financial guarantees | 121,166 | - | - | - | - | 121,166 |
| Credit related commitments and contingencies | 5,741,291 | 76,933 | 186 | 55,323 | 132,442 | 5,873,733 |
| | 5,862,457 | 76,933 | 186 | 55,323 | 132,442 | 5,994,899 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.3 Foreign exchange risk (Continued)

### (a) Foreign exchange risk (Continued)

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| | The Group 31 December 2013 | | | | | |
|---|---|---|---|---|---|---|
| | MYR RM'000 | USD RM'000 | SGD RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
| **Financial assets** | | | | | | |
| Cash and short-term funds | 6,826,506 | 41,988 | 436 | 114,631 | 157,055 | 6,983,561 |
| Deposits and placements with banks and other financial institutions | 150,203 | 13,115 | - | - | 13,115 | 163,318 |
| Financial assets held for trading: | | | | | | |
| - Money market instruments | 2,960,355 | - | - | - | - | 2,960,355 |
| - Unquoted securities | 208,182 | - | - | - | - | 208,182 |
| Financial investments available-for-sale: | | | | | | |
| - Money market instruments | 403,282 | 34,793 | - | - | 34,793 | 438,075 |
| - Unquoted securities | 834,668 | 15,363 | - | - | 15,363 | 850,031 |
| Financial investments held-to-maturity: | | | | | | |
| - Unquoted securities | 602,177 | - | - | - | - | 602,177 |
| Islamic derivative financial instruments: | | | | | | |
| - Trading derivatives | 93,166 | 99,080 | 1,006 | 8,893 | 108,979 | 202,145 |
| - Hedging derivatives | 44,333 | 322 | - | - | 322 | 44,655 |
| Financing, advances and other financing/loans: | | | | | | |
| - Cashline | 463,939 | - | - | - | - | 463,939 |
| - Term financing | 31,960,508 | - | - | - | - | 31,960,508 |
| - Bills receivable | 2,882 | - | - | - | - | 2,882 |
| - Islamic trust receipts | 23,896 | - | - | - | - | 23,896 |
| - Claim on customers under Islamic accepted bills | 358,988 | - | - | - | - | 358,988 |
| - Share purchase financing | 16,193 | | - | - | - | 16,193 |
| - Credit card receivables | 100,517 | - | - | - | - | 100,517 |
| - Revolving credit | 2,144,749 | - | - | - | - | 2,144,749 |
| - Ar Rahnu | 892 | - | - | - | - | 892 |
| Other assets | 96,184 | - | - | - | - | 96,184 |
| Amount due from related companies | 418 | - | - | - | - | 418 |
| | 47,292,038 | 204,661 | 1,442 | 123,524 | 329,627 | 47,621,665 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.3 Foreign exchange risk (Continued)

### (a) Foreign exchange risk (Continued)

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| | The Group 31 December 2013 | | | | | |
|---|---|---|---|---|---|---|
| | MYR RM'000 | USD RM'000 | SGD RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
| **Financial liabilities** | | | | | | |
| Deposits from customers | 37,735,351 | 683,487 | 1,372 | 46,664 | 731,523 | 38,466,874 |
| Deposits and placements of banks and other financial institutions | 6,084,347 | 487,564 | - | - | 487,564 | 6,571,911 |
| Financial liabilities designated at fair value | 146,216 | - | - | - | - | 146,216 |
| Islamic derivative financial instruments: | | | | | | |
| - Trading derivatives | 88,777 | 72,412 | 1,005 | 8,756 | 82,173 | 170,950 |
| - Hedging derivatives | 114,107 | 320 | - | - | 320 | 114,427 |
| Amount due to holding company | 115,538 | - | - | - | - | 115,538 |
| Amount due to related companies | 6,433 | - | - | - | - | 6,433 |
| Other liabilities | 84,733 | - | - | - | - | 84,733 |
| Subordinated sukuk | 856,722 | - | - | - | - | 856,722 |
| | 45,232,224 | 1,243,783 | 2,377 | 55,420 | 1,301,580 | 46,533,804 |
| | | | | | | |
| Financial guarantees | 152,786 | - | - | - | - | 152,786 |
| Credit related commitments and contingencies | 5,261,250 | 195,103 | - | 6,225 | 201,328 | 5,462,578 |
| | 5,414,036 | 195,103 | - | 6,225 | 201,328 | 5,615,364 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.3 Foreign exchange risk (Continued)

### (a) Foreign exchange risk (Continued)

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| | The Bank 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | MYR RM'000 | USD RM'000 | SGD RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
| **Financial assets** | | | | | | |
| Cash and short-term funds | 4,870,886 | 37,401 | 2,360 | 223,965 | 263,726 | 5,134,612 |
| Deposits and placements with banks and other financial institutions | - | 164,298 | - | 54,636 | 218,934 | 218,934 |
| Financial assets held for trading: | | | | | | |
| - Money market instruments | 3,255,826 | - | - | - | - | 3,255,826 |
| - Unquoted securities | 181,418 | 99,406 | - | - | 99,406 | 280,824 |
| Financial investments available-for-sale: | | | | | | |
| - Money market instruments | 394,615 | 19,750 | - | - | 19,750 | 414,365 |
| - Unquoted securities | 1,605,875 | 3,682 | - | - | 3,682 | 1,609,557 |
| Financial investments held-to-maturity: | | | | | | |
| - Money market instruments | 20,629 | - | - | - | - | 20,629 |
| - Unquoted securities | 600,363 | - | - | - | - | 600,363 |
| Islamic derivative financial instruments: | | | | | | |
| - Trading derivatives | 74,194 | 151,821 | 1 | 8,376 | 160,198 | 234,392 |
| - Hedging derivatives | 29,473 | - | - | - | - | 29,473 |
| Financing, advances and other financing/loans: | | | | | | |
| - Cashline | 552,594 | - | - | - | - | 552,594 |
| - Term financing | 32,837,369 | - | - | - | - | 32,837,369 |
| - Bills receivable | 2,933 | - | - | - | - | 2,933 |
| - Islamic trust receipts | 14,737 | 3,519 | - | - | 3,519 | 18,256 |
| - Claim on customers under Islamic accepted bills | 387,838 | - | - | - | - | 387,838 |
| - Share purchase financing | 9,239 | - | - | - | - | 9,239 |
| - Credit card receivables | 108,571 | - | - | - | - | 108,571 |
| - Revolving credit | 2,381,190 | - | - | - | - | 2,381,190 |
| - Ar Rahnu | 1,590 | - | - | - | - | 1,590 |
| Other assets | 92,710 | - | - | - | - | 92,710 |
| Amount due from holding company | 106,783 | - | - | - | - | 106,783 |
| Amount due from related companies | 662 | - | - | - | - | 662 |
| | 47,529,495 | 479,877 | 2,361 | 286,977 | 769,215 | 48,298,710 |

# CIMB Islamic Bank Berhad
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# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.3 Foreign exchange risk (Continued)

### (a) Foreign exchange risk (Continued)

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| | The Bank 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | MYR RM'000 | USD RM'000 | SGD RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
| **Financial liabilities** | | | | | | |
| Deposits from customers | 40,614,278 | 619,380 | 3,477 | 90,909 | 713,766 | 41,328,044 |
| Deposits and placements of banks and other financial institutions | 3,420,961 | 223,752 | - | - | 223,752 | 3,644,713 |
| Financial liabilities designated at fair value | 149,835 | - | | - | - | 149,835 |
| Islamic derivative financial instruments: | | | | | | |
| - Trading derivatives | 72,478 | 132,305 | 1 | 8,335 | 140,641 | 213,119 |
| - Hedging derivatives | 116,787 | 292 | - | - | 292 | 117,079 |
| Amount due to related companies | 16,537 | - | - | - | - | 16,537 |
| Other liabilities | 74,187 | - | - | - | - | 74,187 |
| Subordinated sukuk | 856,026 | - | - | - | - | 856,026 |
| | 45,321,089 | 975,729 | 3,478 | 99,244 | 1,078,451 | 46,399,540 |
| Financial guarantees | 121,166 | - | - | - | - | 121,166 |
| Credit related commitments and contingencies | 5,741,291 | 76,933 | 186 | 55,323 | 132,442 | 5,873,733 |
| | 5,862,457 | 76,933 | 186 | 55,323 | 132,442 | 5,994,899 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.3 Foreign exchange risk (Continued)

### (a) Foreign exchange risk (Continued)

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| | The Bank 31 December 2013 | | | | | |
|---|---|---|---|---|---|---|
| | MYR RM'000 | USD RM'000 | SGD RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
| **Financial assets** | | | | | | |
| Cash and short-term funds | 6,826,461 | 41,988 | 436 | 114,630 | 157,054 | 6,983,515 |
| Deposits and placements with banks and other financial institutions | 150,203 | 13,115 | - | - | 13,115 | 163,318 |
| Financial assets held for trading: | | | - | | | |
| - Money market instruments | 2,960,355 | - | - | - | - | 2,960,355 |
| - Unquoted securities | 208,182 | - | - | - | - | 208,182 |
| Financial investments available-for-sale: | | | - | | | |
| - Money market instruments | 403,282 | 34,793 | - | - | 34,793 | 438,075 |
| - Unquoted securities | 834,668 | 15,363 | - | - | 15,363 | 850,031 |
| Financial investments held-to-maturity: | | | - | | | |
| - Unquoted securities | 602,177 | - | - | - | - | 602,177 |
| Islamic derivative financial instruments: | | | - | | | |
| - Trading derivatives | 93,166 | 99,080 | 1,006 | 8,893 | 108,979 | 202,145 |
| - Hedging derivatives | 44,333 | 322 | - | | 322 | 44,655 |
| Financing, advances and other financing/loans: | | | - | | | |
| - Cashline | 463,939 | - | - | - | - | 463,939 |
| - Term financing | 31,960,508 | - | - | - | - | 31,960,508 |
| - Bills receivable | 2,882 | - | - | - | - | 2,882 |
| - Islamic trust receipts | 23,896 | - | - | - | - | 23,896 |
| - Claim on customers under Islamic accepted bills | 358,988 | - | - | - | - | 358,988 |
| - Share purchase financing | 16,193 | | - | - | - | 16,193 |
| - Credit card receivables | 100,517 | - | - | - | - | 100,517 |
| - Revolving credit | 2,144,749 | - | - | - | - | 2,144,749 |
| - Ar Rahnu | 892 | | - | | - | 892 |
| Other assets | 96,184 | - | - | - | - | 96,184 |
| Amount due from related companies | 418 | - | - | - | - | 418 |
| | 47,291,993 | 204,661 | 1,442 | 123,523 | 329,626 | 47,621,619 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.3 Foreign exchange risk (Continued)

### (a) Foreign exchange risk (Continued)

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

| | The Bank 31 December 2013 | | | | | |
|---|---|---|---|---|---|---|
| | MYR RM'000 | USD RM'000 | SGD RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
| **Financial liabilities** | | | | | | |
| Deposits from customers | 37,735,351 | 683,487 | 1,372 | 46,664 | 731,523 | 38,466,874 |
| Deposits and placements of banks and other financial institutions | 6,084,347 | 487,564 | - | - | 487,564 | 6,571,911 |
| Financial liabilities designated at fair value | 146,216 | - | - | - | - | 146,216 |
| Islamic derivative financial instruments: | | | | | | |
| - Trading derivatives | 88,777 | 72,412 | 1,005 | 8,756 | 82,173 | 170,950 |
| - Hedging derivatives | 114,107 | 320 | - | - | 320 | 114,427 |
| Amount due to holding company | 115,538 | - | - | - | - | 115,538 |
| Amount due to related companies | 6,433 | - | - | - | - | 6,433 |
| Other liabilities | 84,733 | - | - | - | - | 84,733 |
| Subordinated sukuk | 856,722 | - | - | - | - | 856,722 |
| | 45,232,224 | 1,243,783 | 2,377 | 55,420 | 1,301,580 | 46,533,804 |
| Financial guarantees | 152,786 | - | - | - | - | 152,786 |
| Credit related commitments and contingencies | 5,261,250 | 195,103 | - | 6,225 | 201,328 | 5,462,578 |
| | 5,414,036 | 195,103 | - | 6,225 | 201,328 | 5,615,364 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.2 Market risk (Continued)

### 45.2.3 Foreign exchange risk (Continued)

**(b) Sensitivity of profit**

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

| | The Group and the Bank | | | |
|---|---|---|---|---|
| | 31 December 2014 | | 31 December 2013 | |
| | 1% appreciation RM'000 | 1% depreciation RM'000 | 1% appreciation RM'000 | 1% depreciation RM'000 |
| **Impact to profit (after tax)** | **233** | **(233)** | 1,316 | (1,316) |

The impact on profit arises from transactional exposures from parallel shifts in foreign exchange rates.

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

### 45.3 Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or the 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 delivery network and marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand and term deposits. This provides the Group a stable large funding base.

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

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

The Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an early warning system and a funding crisis management team. The early warning system is designed to alert the Group's management whenever the Group's liquidity position may be at risk. It provides the Group with the analytical framework to detect a likely liquidity problem and to evaluate the Group's funding needs and strategies in advance of a liquidity crisis. The early warning system is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Group.

Consolidated stress test, including the liquidity stress test is performed 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 and the test results are submitted to the Country and Group ALCOs, the Group Risk Committee and the Board Risk Committees / Board of Directors of the Group. The test results to date have indicated that the Group has sufficient liquidity capacity to meet the liquidity requirements under various stress test conditions. In addition, the Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio (LCR), which is expected to take effect in mid-2015 for Malaysia.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

### 45.3.1 Contractual maturity of assets and liabilities

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines:

| | The Group 31 December 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | Over 5 years | No-specific maturity | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Assets** | | | | | | | | |
| Cash and short-term funds | 5,134,659 | - | - | - | - | - | - | 5,134,659 |
| Deposits and placements with banks and other financial institutions | 536 | 92,873 | 52,448 | 73,077 | - | - | - | 218,934 |
| Financial assets held for trading | 801,156 | 1,183,664 | 1,236,241 | 53,832 | 205,343 | 56,414 | - | 3,536,650 |
| Financial investments available-for-sale | 19,734 | 19,990 | - | 19,959 | 863,281 | 1,100,383 | 575 | 2,023,922 |
| Financial investments held-to-maturity | 10,113 | - | - | - | 43,061 | 567,818 | - | 620,992 |
| Islamic derivative financial instruments | 13,918 | 17,943 | 10,116 | 18,256 | 112,662 | 90,970 | - | 263,865 |
| Financing , advances and other financing/loans | 2,314,059 | 388,014 | 426,729 | 104,870 | 8,672,343 | 24,393,565 | - | 36,299,580 |
| Other assets | 101,374 | - | - | - | - | - | - | 101,374 |
| Deferred taxation | - | - | - | - | - | - | 21,503 | 21,503 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | - | 1,297,654 | 1,297,654 |
| Amount due from holding company | 106,783 | - | - | - | - | - | - | 106,783 |
| Amount due from related companies | 662 | - | - | - | - | - | - | 662 |
| Goodwill | - | - | - | - | - | - | 136,000 | 136,000 |
| Intangible assets | - | - | - | - | - | - | 91,096 | 91,096 |
| Property, plant and equipment | - | - | - | - | - | - | 10,124 | 10,124 |
| **Total assets** | 8,502,994 | 1,702,484 | 1,725,534 | 269,994 | 9,896,690 | 26,209,150 | 1,556,952 | 49,863,798 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

### 45.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

| | The Group 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 | 29,536,555 | 8,511,194 | 1,751,272 | 981,334 | 379,109 | 168,580 | - | 41,328,044 |
| Deposits and placements of banks and other financial institutions | 2,315,846 | 1,325,146 | 2,847 | 874 | - | - | - | 3,644,713 |
| Subordinated sukuk | 10,309 | - | - | - | 550,644 | 295,073 | - | 856,026 |
| Other liabilities | 297,254 | - | - | - | - | - | - | 297,254 |
| Financial liabilities designated at fair value | - | - | - | - | 149,835 | - | - | 149,835 |
| Islamic derivative financial instruments | 3,451 | 18,941 | 10,558 | 18,198 | 155,486 | 123,563 | - | 330,197 |
| Provision for taxation and zakat | 29,721 | - | - | - | - | - | - | 29,721 |
| Amount due to related companies | 16,538 | - | - | - | - | - | - | 16,538 |
| **Total liabilities** | 32,209,674 | 9,855,281 | 1,764,677 | 1,000,406 | 1,235,074 | 587,216 | - | 46,652,328 |
| **Net liquidity gap** | (23,706,680) | (8,152,797) | (39,143) | (730,412) | 8,661,616 | 25,621,934 | 1,556,952 | |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

#### 45.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

| | The Group 31 December 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | Over 5 years | No-specific maturity | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Assets** | | | | | | | | |
| Cash and short-term funds | 6,983,561 | - | - | - | - | - | - | 6,983,561 |
| Deposits and placements with banks and other financial institutions | 210 | 163,108 | - | - | - | - | - | 163,318 |
| Financial assets held for trading | 1,126,544 | 1,308,909 | 502,368 | 3,457 | 104,790 | 122,469 | - | 3,168,537 |
| Financial investments available-for-sale | 12,940 | 65,092 | - | 43,037 | 421,733 | 744,729 | 575 | 1,288,106 |
| Financial investments held-to-maturity | 8,794 | - | - | - | 93,383 | 500,000 | - | 602,177 |
| Islamic derivative financial instruments | 17,942 | 14,789 | 17,844 | 6,938 | 97,125 | 92,162 | - | 246,800 |
| Financing , advances and other financing/loans | 2,418,440 | 444,129 | 322,739 | 143,522 | 6,311,545 | 25,432,189 | - | 35,072,564 |
| Other assets | 283,094 | - | - | - | - | - | - | 283,094 |
| Deferred taxation | - | - | - | - | - | - | 22,449 | 22,449 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | - | 1,436,747 | 1,436,747 |
| Amount due from related companies | 418 | - | - | - | - | - | - | 418 |
| Goodwill | - | - | - | - | - | - | 136,000 | 136,000 |
| Intangible assets | - | - | - | - | - | - | 14,197 | 14,197 |
| Property, plant and equipment | - | - | - | - | - | - | 5,236 | 5,236 |
| **Total assets** | 10,851,943 | 1,996,027 | 842,951 | 196,954 | 7,028,576 | 26,891,549 | 1,615,204 | 49,423,204 |

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

### 45.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

| | The Group 31 December 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Up to 1 month** | **> 1 – 3 months** | **> 3 – 6 months** | **> 6 – 12 months** | **> 1 – 5 years** | **Over 5 years** | **No-specific maturity** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Liabilities** | | | | | | | | |
| Deposits from customers | 28,816,630 | 5,935,055 | 2,544,782 | 549,847 | 448,206 | 172,354 | - | 38,466,874 |
| Deposits and placements of banks and other financial institutions | 1,832,019 | 2,567,072 | 1,672,820 | 500,000 | - | - | - | 6,571,911 |
| Financial liabilities designated at fair value | - | - | - | - | 146,216 | - | - | 146,216 |
| Islamic derivative financial instruments | 17,606 | 8,581 | 6,065 | 6,492 | 76,895 | 169,738 | - | 285,377 |
| Amount due to holding company | 115,538 | - | - | - | - | - | - | 115,538 |
| Amount due to related companies | 6,433 | - | - | - | - | - | - | 6,433 |
| Other liabilities | 287,768 | - | - | - | - | - | - | 287,768 |
| Provision for taxation and zakat | 15,437 | - | - | - | - | - | - | 15,437 |
| Subordinated sukuk | 10,309 | - | - | - | 252,436 | 593,977 | - | 856,722 |
| **Total liabilities** | 31,101,740 | 8,510,708 | 4,223,667 | 1,056,339 | 923,753 | 936,069 | - | 46,752,276 |
| **Net liquidity gap** | (20,249,797) | (6,514,681) | (3,380,716) | (859,385) | 6,104,823 | 25,955,480 | 1,615,204 | |

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

#### 45.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

| | The Bank 31 December 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | > 1 – 3 months | > 3 – 6 months | > 6 – 12 months | > 1 – 5 years | Over 5 years | No-specific maturity | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Assets** | | | | | | | | |
| Cash and short-term funds | 5,134,612 | - | - | - | - | - | - | 5,134,612 |
| Deposits and placements with banks and other financial institutions | 536 | 92,873 | 52,448 | 73,077 | - | - | - | 218,934 |
| Financial assets held for trading | 801,156 | 1,183,664 | 1,236,241 | 53,832 | 205,343 | 56,414 | - | 3,536,650 |
| Financial investments available-for-sale | 19,734 | 19,990 | - | 19,959 | 863,281 | 1,100,383 | 575 | 2,023,922 |
| Financial investments held-to-maturity | 10,113 | - | - | - | 43,061 | 567,818 | - | 620,992 |
| Islamic derivative financial instruments | 13,918 | 17,943 | 10,116 | 18,256 | 112,662 | 90,970 | - | 263,865 |
| Financing , advances and other financing/loans | 2,314,059 | 388,014 | 426,729 | 104,870 | 8,672,343 | 24,393,565 | - | 36,299,580 |
| Other assets | 101,374 | - | - | - | - | - | - | 101,374 |
| Deferred taxation | - | - | - | - | - | - | 21,503 | 21,503 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | - | 1,297,654 | 1,297,654 |
| Investment in subsidiaries | - | - | - | - | - | - | 20 | 20 |
| Amount due from holding company | 106,783 | - | - | - | - | - | - | 106,783 |
| Amount due from related companies | 662 | - | - | - | - | - | - | 662 |
| Goodwill | - | - | - | - | - | - | 136,000 | 136,000 |
| Intangible assets | - | - | - | - | - | - | 91,096 | 91,096 |
| Property, plant and equipment | - | - | - | - | - | - | 10,124 | 10,124 |
| **Total assets** | 8,502,947 | 1,702,484 | 1,725,534 | 269,994 | 9,896,690 | 26,209,150 | 1,556,972 | 49,863,771 |

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

### 45.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

| | The Bank 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 | 29,536,555 | 8,511,194 | 1,751,272 | 981,334 | 379,109 | 168,580 | - | 41,328,044 |
| Deposits and placements of banks and other financial institutions | 2,315,846 | 1,325,146 | 2,847 | 874 | - | - | - | 3,644,713 |
| Subordinated sukuk | 10,309 | - | - | - | 550,644 | 295,073 | - | 856,026 |
| Other liabilities | 297,254 | - | - | - | - | - | - | 297,254 |
| Financial liabilities designated at fair value | - | - | - | - | 149,835 | - | - | 149,835 |
| Islamic derivative financial instruments | 3,451 | 18,941 | 10,558 | 18,198 | 155,486 | 123,563 | - | 330,197 |
| Provision for taxation and zakat | 29,721 | - | - | - | - | - | - | 29,721 |
| Amount due to related companies | 16,537 | - | - | - | - | - | - | 16,537 |
| **Total liabilities** | 32,209,673 | 9,855,281 | 1,764,677 | 1,000,406 | 1,235,074 | 587,216 | - | 46,652,327 |
| **Net liquidity gap** | (23,706,726) | (8,152,797) | (39,143) | (730,412) | 8,661,616 | 25,621,934 | 1,556,972 | |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

#### 45.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

| | The Bank 31 December 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Up to 1 month** | **> 1 – 3 months** | **> 3 – 6 months** | **> 6 – 12 months** | **> 1 – 5 years** | **Over 5 years** | **No-specific maturity** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Assets** | | | | | | | | |
| Cash and short-term funds | 6,983,515 | - | - | - | - | - | - | 6,983,515 |
| Deposits and placements with banks and other financial institutions | 210 | 163,108 | - | - | - | - | - | 163,318 |
| Financial assets held for trading | 1,126,544 | 1,308,909 | 502,368 | 3,457 | 104,790 | 122,469 | - | 3,168,537 |
| Financial investments available-for-sale | 12,940 | 65,092 | - | 43,037 | 421,733 | 744,729 | 575 | 1,288,106 |
| Financial investments held-to-maturity | 8,794 | - | - | - | 93,383 | 500,000 | - | 602,177 |
| Islamic derivative financial instruments | 17,942 | 14,789 | 17,844 | 6,938 | 97,125 | 92,162 | - | 246,800 |
| Financing , advances and other financing/loans | 2,418,440 | 444,129 | 322,739 | 143,522 | 6,311,545 | 25,432,189 | - | 35,072,564 |
| Other assets | 283,094 | - | - | - | - | - | - | 283,094 |
| Deferred taxation | - | - | - | - | - | - | 22,449 | 22,449 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | - | 1,436,747 | 1,436,747 |
| Investment in subsidiaries | - | - | - | - | - | - | 20 | 20 |
| Amount due from related companies | 418 | - | - | - | - | - | - | 418 |
| Goodwill | - | - | - | - | - | - | 136,000 | 136,000 |
| Intangible assets | - | - | - | - | - | - | 14,197 | 14,197 |
| Property, plant and equipment | - | - | - | - | - | - | 5,236 | 5,236 |
| **Total assets** | 10,851,897 | 1,996,027 | 842,951 | 196,954 | 7,028,576 | 26,891,549 | 1,615,224 | 49,423,178 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

### 45.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

| | The Bank 31 December 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Up to 1 month** | **> 1 – 3 months** | **> 3 – 6 months** | **> 6 – 12 months** | **> 1 – 5 years** | **Over 5 years** | **No-specific maturity** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Liabilities** | | | | | | | | |
| Deposits from customers | 28,816,630 | 5,935,055 | 2,544,782 | 549,847 | 448,206 | 172,354 | - | 38,466,874 |
| Deposits and placements of banks and other financial institutions | 1,832,019 | 2,567,072 | 1,672,820 | 500,000 | - | - | - | 6,571,911 |
| Financial liabilities designated at fair value | - | - | - | - | 146,216 | - | - | 146,216 |
| Islamic derivative financial instruments | 17,606 | 8,581 | 6,065 | 6,492 | 76,895 | 169,738 | - | 285,377 |
| Amount due to holding company | 115,538 | - | - | - | - | - | - | 115,538 |
| Amount due to related companies | 6,433 | - | - | - | - | - | - | 6,433 |
| Other liabilities | 287,768 | - | - | - | - | - | - | 287,768 |
| Provision for taxation and zakat | 15,437 | - | - | - | - | - | - | 15,437 |
| Subordinated sukuk | 10,309 | - | - | - | 252,436 | 593,977 | - | 856,722 |
| **Total liabilities** | 31,101,740 | 8,510,708 | 4,223,667 | 1,056,339 | 923,753 | 936,069 | - | 46,752,276 |
| **Net liquidity gap** | (20,249,843) | (6,514,681) | (3,380,716) | (859,385) | 6,104,823 | 25,955,480 | 1,615,224 | |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

### 45.3.2 Contractual maturity of financial liabilities on an undiscounted basis

**Non-derivative financial liabilities**

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

| The Group 31 December 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 | 29,508,458 | 8,598,370 | 1,783,124 | 1,012,570 | 412,693 | 174,318 | - | 41,489,533 |
| Deposits and placements of banks and other financial institutions | 2,322,533 | 1,318,463 | 2,843 | 874 | - | - | - | 3,644,713 |
| Financial liabilities designated at fair value | 1,532 | 768 | 1,722 | 2,844 | 163,050 | - | - | 169,916 |
| Amount due to related companies | 16,538 | - | - | - | - | - | - | 16,538 |
| Other liabilities | 74,187 | - | - | - | - | - | - | 74,187 |
| Subordinated sukuk | 10,309 | 14,775 | 5,250 | 20,025 | 674,094 | 331,073 | - | 1,055,526 |
| | 31,933,557 | 9,932,376 | 1,792,939 | 1,036,313 | 1,249,837 | 505,391 | - | 46,450,413 |
| | | | | | | | | |
| Financial guarantees | 121,166 | - | - | - | - | - | - | 121,166 |
| Credit related commitments and contingencies | 3,515,297 | 17,130 | 48,834 | 25,745 | 141,511 | 2,125,216 | - | 5,873,733 |
| | 3,636,463 | 17,130 | 48,834 | 25,745 | 141,511 | 2,125,216 | - | 5,994,899 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

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

**Non-derivative financial liabilities (Continued)**

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

| The Bank 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 | 29,508,458 | 8,598,370 | 1,783,124 | 1,012,570 | 412,693 | 174,318 | - | 41,489,533 |
| Deposits and placements of banks and other financial institutions | 2,322,533 | 1,318,463 | 2,843 | 874 | - | - | - | 3,644,713 |
| Financial liabilities designated at fair value | 1,532 | 768 | 1,722 | 2,844 | 163,050 | - | - | 169,916 |
| Amount due to related companies | 16,537 | - | - | - | - | - | - | 16,537 |
| Other liabilities | 74,187 | - | - | - | - | - | - | 74,187 |
| Subordinated sukuk | 10,309 | 14,775 | 5,250 | 20,025 | 674,094 | 331,073 | - | 1,055,526 |
| | 31,933,556 | 9,932,376 | 1,792,939 | 1,036,313 | 1,249,837 | 505,391 | - | 46,450,412 |
| Financial guarantees | 121,166 | - | - | - | - | - | - | 121,166 |
| Credit related commitments and contingencies | 3,515,297 | 17,130 | 48,834 | 25,745 | 141,511 | 2,125,216 | - | 5,873,733 |
| | 3,636,463 | 17,130 | 48,834 | 25,745 | 141,511 | 2,125,216 | - | 5,994,899 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

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

**Non-derivative financial liabilities (Continued)**

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

| | The Group and the Bank 31 December 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 28,810,042 | 5,977,115 | 2,575,538 | 567,283 | 491,880 | 178,804 | - | 38,600,662 |
| Deposits and placements of banks and other financial institutions | 1,832,920 | 2,580,508 | 1,693,572 | 510,103 | - | - | - | 6,617,103 |
| Financial liabilities designated at fair value | 1,821 | 41 | 1,870 | 3,447 | 164,939 | | - | 172,118 |
| Amount due to holding company | 115,538 | - | - | - | - | - | - | 115,538 |
| Amount due to related companies | 6,433 | - | - | - | - | - | - | 6,433 |
| Other liabilities | 84,733 | - | - | - | - | - | - | 84,733 |
| Subordinated sukuk | 10,309 | 14,775 | 5,250 | 20,025 | 386,386 | 659,527 | - | 1,096,272 |
| | 30,861,796 | 8,572,439 | 4,276,230 | 1,100,858 | 1,043,205 | 838,331 | - | 46,692,859 |
| | | | | | | | | |
| Financial guarantees | 152,786 | - | - | - | - | - | - | 152,786 |
| Credit related commitments and contingencies | 4,407,922 | 17,334 | 167,636 | 4,510 | 55,388 | 809,788 | - | 5,462,578 |
| | 4,560,708 | 17,334 | 167,636 | 4,510 | 55,388 | 809,788 | - | 5,615,364 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

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

**Derivative financial liabilities**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities.

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

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

**Derivative financial liabilities (Continued)**

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

| | The Group and the Bank 31 December 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Up to 1 month** | **> 1 – 3 months** | **> 3 – 6 months** | **> 6 – 12 months** | **> 1 – 5 years** | **Over 5 years** | **No specific maturity** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Derivative financial liabilities** | | | | | | | | |
| **Derivatives held for trading:** | | | | | | | - | |
| - Profit rate derivatives | (67,567) | - | - | - | - | - | - | (67,567) |
| - Equity related derivatives | (13,611) | - | - | - | - | - | - | (13,611) |
| - Credit related contracts | (752) | - | - | - | - | - | - | (752) |
| **Hedging derivatives:** | | | | | | | | |
| - Profit rate derivatives | (5,448) | 21,910 | (32,322) | (16,488) | (88,392) | (9,352) | - | (130,092) |
| | (87,378) | 21,910 | (32,322) | (16,488) | (88,392) | (9,352) | - | (212,022) |

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

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

**Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis (Continued):

| | The Group and the Bank 31 December 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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:** | | | | | | | - | |
| - Profit rate derivatives | (85,548) | - | - | - | - | - | - | (85,548) |
| - Equity related derivatives | (13,513) | - | - | - | - | - | - | (13,513) |
| - Credit related contracts | (586) | | | | | | - | (586) |
| **Hedging derivatives:** | | | | | | | | |
| - Profit rate derivatives | (6,683) | 20,316 | (37,745) | (22,048) | (72,450) | (5,185) | - | (123,795) |
| | (106,330) | 20,316 | (37,745) | (22,048) | (72,450) | (5,185) | - | (223,442) |

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

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

**Derivative financial liabilities (Continued)**

The Group's and the Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options, cross currency profit rate swaps.

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

| | The Group and the Bank 31 December 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:** | | | | | | | | |
| Foreign exchange derivatives | (131,188) | - | - | - | - | - | - | (131,188) |
| | (131,188) | - | - | - | - | - | - | (131,188) |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

### 45.3 Liquidity risk (Continued)

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

**Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis (Continued).

| | The Group and the Bank 31 December 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | (71,303) | - | - | - | - | - | - | (71,303) |
| | (71,303) | - | - | - | - | - | - | (71,303) |

# 45 Financial Risk Management (Continued)

## 45.4 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.

### 45.4.1 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. The validation includes an assessment of the stability of models in terms of performance over a variety of conditions and back-testing of the model outputs;

- 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 modeling 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 Chief Risk Officer or/and Group Risk Committee;

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

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

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

### 45.4.1 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:<br>• Quoted prices for similar assets and liabilities in active markets; or<br>• Quoted prices for identical or similar assets and liabilities in non-active markets; or<br>• 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 is 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.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

### 45.4.1 Determination of fair value and fair value hierarchy (Continued)

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

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

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

| | The Group and the Bank | | | |
|---|---|---|---|---|
| | | Fair Value | | |
| | Carrying amount RM'000 | Observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 |
| **31 December 2014** | | | | |
| ***Recurring fair value measurements*** | | | | |
| **Financial assets** | | | | |
| Financial assets held for trading: | | | | |
| -Money market instruments | **3,255,826** | **3,255,826** | **-** | **3,255,826** |
| -Unquoted securities | **280,824** | **280,824** | **-** | **280,824** |
| Financial investments available-for-sale: | | | | |
| -Money market instruments | **414,365** | **414,365** | **-** | **414,365** |
| -Unquoted securities | **1,609,557** | **1,608,982** | **575** | **1,609,557** |
| Derivative financial instruments: | | | | |
| -Trading derivatives | **234,392** | **234,392** | **-** | **234,392** |
| -Hedging derivatives | **29,473** | **29,473** | **-** | **29,473** |
| **Total** | **5,824,437** | **5,823,862** | **575** | **5,824,437** |
| | | | | |
| ***Recurring fair value measurements*** | | | | |
| **Financial liabilities** | | | | |
| Derivative financial instruments: | | | | |
| -Trading derivatives | **213,118** | **213,118** | **-** | **213,118** |
| -Hedging derivatives | **117,079** | **117,079** | **-** | **117,079** |
| Financial liabilities designated at fair value | **149,835** | **149,835** | **-** | **149,835** |
| **Total** | **480,032** | **480,032** | **-** | **480,032** |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

### 45.4.1 Determination of fair value and fair value hierarchy (Continued)

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

| | The Group and the Bank | | | |
|---|---|---|---|---|
| | | Fair Value | | |
| | Carrying amount RM'000 | Observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 |
| **31 December 2013** | | | | |
| ***Recurring fair value measurements*** | | | | |
| **Financial assets** | | | | |
| Financial assets held for trading: | | | | |
| -Money market instruments | 2,960,355 | 2,960,355 | - | 2,960,355 |
| -Unquoted securities | 208,182 | 208,182 | - | 208,182 |
| Financial investments available-for-sale: | | | | |
| -Money market instruments | 438,075 | 438,075 | - | 438,075 |
| -Unquoted securities | 850,031 | 849,456 | 575 | 850,031 |
| Derivative financial instruments: | | | | |
| -Trading derivatives | 202,145 | 202,145 | - | 202,145 |
| -Hedging derivatives | 44,655 | 44,655 | - | 44,655 |
| **Total** | 4,703,443 | 4,702,868 | 575 | 4,703,443 |
| | | | | |
| ***Recurring fair value measurements*** | | | | |
| **Financial liabilities** | | | | |
| Derivative financial instruments: | | | | |
| -Trading derivatives | 170,950 | 170,950 | - | 170,950 |
| -Hedging derivatives | 114,427 | 114,427 | - | 114,427 |
| Financial liabilities designated at fair value | 146,216 | 146,216 | - | 146,216 |
| **Total** | 431,593 | 431,593 | - | 431,593 |

There are no movements in Level 3 instruments for the financial year ended 31 December 2014 and 31 December 2013 for the Group and the Bank.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

### 45.4.2 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 2014 and 31 December 2013 but for which fair value is disclosed:

| | The Group | | | |
|---|---|---|---|---|
| | | Fair Value | | |
| | Carrying value | Quoted market prices (Level 1) | Observable inputs (Level 2) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **31 December 2014** | | | | |
| **Assets** | | | | |
| Cash and short-term funds | 5,134,659 | 5,134,659 | - | 5,134,659 |
| Deposits and placements with banks and other financial institutions | 218,934 | - | 218,851 | 218,851 |
| Financial investments held-to-maturity | 620,992 | - | 622,142 | 622,142 |
| Financing, advances and other financing/loans | 36,299,580 | - | 35,218,535 | 35,218,535 |
| Other assets | 101,374 | - | 101,374 | 101,374 |
| Amount due from holding company | 106,783 | - | 106,783 | 106,783 |
| Amount due from related companies | 662 | - | 662 | 662 |
| Statutory deposits with Bank Negara Malaysia | 1,297,654 | 1,297,654 | - | 1,297,654 |
| **Total** | 43,780,638 | 6,432,313 | 36,268,347 | 42,700,660 |
| | | | | |
| **Liabilities** | | | | |
| Deposits from customers | 41,328,044 | - | 41,299,908 | 41,299,908 |
| Deposits and placements of banks and other financial institutions | 3,644,713 | - | 3,644,712 | 3,644,712 |
| Subordinated Sukuk | 856,026 | - | 873,397 | 873,397 |
| Other liabilities | 297,254 | - | 297,254 | 297,254 |
| Amount due to related companies | 16,538 | - | 16,538 | 16,538 |
| **Total** | 46,142,575 | - | 46,131,809 | 46,131,809 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

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

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2014 and 31 December 2013 but for which fair value is disclosed (Continued):

| | The Group | | | |
|---|---|---|---|---|
| | | Fair Value | | |
| | Carrying value RM'000 | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | Total RM'000 |
| **31 December 2013** | | | | |
| **Assets** | | | | |
| Cash and short-term funds | 6,983,561 | 6,983,561 | - | 6,983,561 |
| Deposits and placements with banks and other financial institutions | 163,318 | - | 163,318 | 163,318 |
| Financial investments held-to-maturity | 602,177 | - | 602,250 | 602,250 |
| Financing, advances and other financing/loans | 35,072,564 | - | 32,662,109 | 32,662,109 |
| Other assets | 283,094 | - | 283,094 | 283,094 |
| Amount due from related companies | 418 | - | 418 | 418 |
| Statutory deposits with Bank Negara Malaysia | 1,436,747 | 1,436,747 | - | 1,436,747 |
| **Total** | 44,541,879 | 8,420,308 | 33,711,189 | 42,131,497 |
| | | | | |
| **Liabilities** | | | | |
| Deposits from customers | 38,466,874 | - | 38,427,858 | 38,427,858 |
| Deposits and placements of banks and other financial institutions | 6,571,911 | - | 6,572,021 | 6,572,021 |
| Subordinated Sukuk | 856,722 | - | 865,244 | 865,244 |
| Other liabilities | 287,768 | - | 287,768 | 287,768 |
| Amount due to holding company | 115,538 | - | 115,538 | 115,538 |
| Amount due to related companies | 6,433 | - | 6,433 | 6,433 |
| **Total** | 46,305,246 | - | 46,274,862 | 46,274,862 |

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

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

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2014 and 31 December 2013 but for which fair value is disclosed (Continued):

| | The Bank | | | |
|---|---|---|---|---|
| | | Fair Value | | |
| | Carrying value | Quoted market prices (Level 1) | Observable inputs (Level 2) | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **31 December 2014** | | | | |
| **Assets** | | | | |
| Cash and short-term funds | 5,134,612 | 5,134,612 | - | 5,134,612 |
| Deposits and placements with banks and other financial institutions | 218,934 | - | 218,851 | 218,851 |
| Financial investments held-to-maturity | 620,992 | - | 622,142 | 622,142 |
| Financing, advances and other financing/loans | 36,299,580 | - | 35,218,535 | 35,218,535 |
| Other assets | 101,374 | - | 101,374 | 101,374 |
| Amount due from holding company | 106,783 | - | 106,783 | 106,783 |
| Amount due from related companies | 662 | - | 662 | 662 |
| Statutory deposits with Bank Negara Malaysia | 1,297,654 | 1,297,654 | - | 1,297,654 |
| **Total** | 43,780,591 | 6,432,266 | 36,268,347 | 42,700,613 |
| | | | | |
| **Liabilities** | | | | |
| Deposits from customers | 41,328,044 | - | 41,299,908 | 41,299,908 |
| Deposits and placements of banks and other financial institutions | 3,644,713 | - | 3,644,712 | 3,644,712 |
| Subordinated Sukuk | 856,026 | - | 873,397 | 873,397 |
| Other liabilities | 297,254 | - | 297,254 | 297,254 |
| Amount due to related companies | 16,537 | - | 16,537 | 16,537 |
| **Total** | 46,142,574 | - | 46,131,808 | 46,131,808 |

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

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

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2014 and 31 December 2013 but for which fair value is disclosed (Continued):

| | | The Bank | | |
|---|---|---|---|---|
| | | Fair Value | | |
| | Carrying value RM'000 | Quoted market prices (Level 1) RM'000 | Observable inputs (Level 2) RM'000 | Total RM'000 |
| **31 December 2013** | | | | |
| **Assets** | | | | |
| Cash and short-term funds | 6,983,515 | 6,983,515 | - | 6,983,515 |
| Deposits and placements with banks and other financial institutions | 163,318 | - | 163,318 | 163,318 |
| Financial investments held-to-maturity | 602,177 | - | 602,250 | 602,250 |
| Financing, advances and other financing/loans | 35,072,564 | - | 32,662,109 | 32,662,109 |
| Other assets | 283,094 | - | 283,094 | 283,094 |
| Amount due from related companies | 418 | - | 418 | 418 |
| Statutory deposits with Bank Negara Malaysia | 1,436,747 | 1,436,747 | - | 1,436,747 |
| **Total** | 44,541,833 | 8,420,262 | 33,711,189 | 42,131,451 |
| **Liabilities** | | | | |
| Deposits from customers | 38,466,874 | - | 38,427,858 | 38,427,858 |
| Deposits and placements of banks and other financial institutions | 6,571,911 | - | 6,572,021 | 6,572,021 |
| Subordinated Sukuk | 856,722 | - | 865,244 | 865,244 |
| Other liabilities | 287,768 | - | 287,768 | 287,768 |
| Amount due to holding company | 115,538 | - | 115,538 | 115,538 |
| Amount due to related companies | 6,433 | - | 6,433 | 6,433 |
| **Total** | 46,305,246 | - | 46,274,862 | 46,274,862 |

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

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

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

**Short-term funds and placements with financial institutions**

For short-term funds, placements with financial with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

**Financial investments held-to-maturity**

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

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

**Other assets**

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

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

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

The fair values of impaired variable and fixed rate financing are represented by their carrying value, net of individual impairment allowance being the expected recoverable amount.

**Amount due (to)/from subsidiaries and related companies**

The estimated fair values of the amount due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar financing.

**Amount due (to)/from holding company and ultimate holding company**

The estimated fair value of the amount due from holding company approximates the carrying value as the balances are payable on demand.

**Deposits from customers**

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

# Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

## 45 Financial Risk Management (Continued)

## 45.4 Fair value estimation (Continued)

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

**Deposits and placements of banks and other financial institutions**

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

**Other liabilities**

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

**Subordinated Sukuk**

The fair values for the quoted subordinated Sukuk are obtained from quoted market prices while the fair values for unquoted subordinated Sukuk are estimated based on discounted cash flow models.

**Credit related commitment and contingencies**

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

## 46 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 9 March 2015.