

Company No: 197401001266 (18417-M)

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Reports and Financial Statement  
for the financial year ended 31 December 2019**

Company No: 197401001266 (18417-M)

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Reports and Financial Statements for the financial year ended 31 December 2019**

### **Contents**

	<b>Page(s)</b>
<b>Directors' Report</b>	1 – 9
<b>Statement by Directors</b>	10
<b>Statutory Declaration</b>	11
<b>Board Shariah Committee's Report</b>	12-14
<b>Independent Auditors' Report</b>	15-18
<b>Statements of Financial Position</b>	19
<b>Statements of Income</b>	20
<b>Statements of Comprehensive Income</b>	21
<b>Statements of Changes in Equity</b>	22-25
<b>Statements of Cash Flows</b>	26-27
<b>Summary of Significant Accounting Policies</b>	28-54
<b>Notes to the Financial Statements</b>	55-204

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Directors' Report for the financial year ended 31 December 2019

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Investment Bank Berhad ("the Bank") for the financial year ended 31 December 2019.

### Principal activities

The principal activities of the Bank during the financial year are investment banking and the provision of related financial services. The principal activities of the subsidiaries during the financial year are as set out in Note 11 to the Financial Statements, consist of provision of nominee services. There was no significant change in the nature of these activities during the financial year, other than as disclosed in Note 44 to the financial statements.

### Financial results

	<b>The Group</b>	<b>The Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit from continuing operations	456,510	490,977
Net loss from discontinued operation	<u>(5,411)</u>	<u>(6,323)</u>
Net profit after taxation	<u><u>451,099</u></u>	<u><u>484,654</u></u>

### Dividends

The Directors have proposed an interim dividend comprising 68 sen per ordinary share, amounting to RM68,000,000 in respect of financial year ended 31 December 2019, which was approved by the Board of Directors in a resolution dated 29 January 2020.

The Directors have approved a special dividend of RM4.00 per ordinary share, amounting to RM400,000,000 in respect of the financial year ended 31 December 2019, which was paid on 26 July 2019.

A single tier interim dividend of RM15.99 per ordinary share, amounting to RM15,990,000 in respect of the financial year ended 31 December 2018, which was approved by the Board of Directors on 28 January 2019, was paid on 28 March 2019.

A single tier interim dividend of 92 sen per ordinary share, amounting to RM92,000,000 in respect of the financial year ended 31 December 2017, which was approved by the Board of Directors on 26 January 2018, was paid on 22 March 2018.

### Reserves, provisions and allowances

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

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report**

**for the financial year ended 31 December 2019 (Continued)**

### **Issuance of shares**

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

### **Bad and doubtful debts, and financing**

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

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

### **Current assets**

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

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

### **Valuation methods**

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

### **Contingent and other liabilities**

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Directors' Report for the financial year ended 31 December 2019 (Continued)**

#### **Contingent and other liabilities (Continued)**

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

- (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 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 44 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**

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

Dato' Robert Cheim Dau Meng  
Nadzirah binti Abd Rashid  
Didi Syafruddin Yahya  
Manu Bhaskaran  
Dato' Kong Sooi Lin (resigned on 1 March 2019)  
Jefferi Mahmud Hashim (appointed on 1 March 2019)

In accordance with Articles 84 of the Bank's Constitution, Nadzirah binti Abd Rashid and Manu Bhaskaran will retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Directors' Report

### for the financial year ended 31 December 2019 (Continued)

#### Directors' interests in shares, share options and debentures

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

	Number of ordinary shares			As at 31 December
	As at 1 January/ Date of appointment	Acquired/ Granted	Disposed/ Vested	
<b>Ultimate holding company</b>				
<b>CIMB Group Holdings Berhad</b>				
Dato' Robert Cheim Dau Meng*	345,545	113,885	(17,748) <sup>(b)</sup>	441,682
Jeffery Mahmud Hashim	271,650	155,816	(126,576) <sup>(b)</sup>	300,890
Didi Syafruddin Yahya **	3,282	180	- <sup>(b)</sup>	3,462

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

	As at 1 January	Acquired/ Granted	Disposed/ Vested	As at 31 December
Cheim Tat Seng	158,573	26,296 <sup>(a)</sup>	(17,748) <sup>(b)</sup>	167,121

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

	As at 1 January	Acquired/ granted	Disposed/ vested	As at 31 December
Sarina Mahmood	3,282	180 <sup>(a)</sup>	-	3,462

Note : <sup>(a)</sup> Shares granted under Equity Ownership Plan ("EOP") and/or acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")

<sup>(b)</sup> Shares released from EOP account and transferred into Director's account

	No. of debentures held			As at 31 December
	As at 1 January	Acquired/ Granted	Disposed/ Redeemed	
<b>CIMB Group Holdings Berhad</b>				
<b>-Subordinated Fixed Rate Notes</b>				
Dato' Robert Cheim Dau Meng	RM 1,000,000	-	-	RM 1,000,000
<b>-Perpetual subordinated capital securities</b>				
Dato' Robert Cheim Dau Meng	RM 2,000,000	-	-	RM 2,000,000
<b>CIMB Thai Bank</b>				
<b>-Subordinated Notes 2024</b>				
Dato' Robert Cheim Dau Meng	RM 1,000,000	-	(RM 1,000,000)	-

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Directors' Report for the financial year ended 31 December 2019 (Continued)**

#### **Directors' interests in shares, share options and debentures (Continued)**

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

	No. of shares held			As at 31 December
	As at 1 January	Acquired/ Granted	Disposed/ vested	
CIMB Niaga Tbk				
Dato' Robert Cheim Dau Meng	26,248	-	(26,248)	-

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

#### **Directors' benefits**

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

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

#### **Subsidiaries**

Details of subsidiaries are as set out in Note 11 to the Financial Statements.

#### **Auditors' Remuneration**

Details of auditors' remuneration are as set out in Note 31 to the Financial Statements.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Directors' Report for the financial year ended 31 December 2019 (Continued)**

#### **2019 Business Review**

2019 was another challenging year for the capital market as sentiment remained relatively soft in light of the continued geopolitical uncertainties and a general economic deceleration globally. Nonetheless, CIMB Investment Bank (“CIMB IB”) ended the year top in the league table for Malaysia Equity & Rights Offering with a strong 57.62% market share (Source: Bloomberg). CIMB IB completed 11 block trades including the largest blocks trades in Malaysia by a single vendor. CIMB IB also ranked no.1 in the Mergers & Acquisition (M&A) league table with the completion of 6 deals in Malaysia (Source: Bloomberg). In the Debt Capital Markets (DCM) space, we continued to garner a strong share of the Malaysia Bonds league table with a 24.43% market share in 2019, up 1.86% from the 22.56% in 2018 (Source: Bloomberg).

CIMB IB completed the sale of the Malaysian cash equities business on 28 June 2019. Effective 1 July 2019, this business was housed under CGS-CIMB Securities Sdn Bhd, a 50:50 stockbroking joint venture between CIMB Group Sdn Bhd and China Galaxy International Financial Holdings Limited, a wholly-owned subsidiary of China Galaxy Securities Co. Ltd.

#### **Outlook for 2020**

The Bank continues to maintain a cautious stance for 2020 in view of sustained global economic headwinds, trade tensions, threat from the Covid-19 outbreak as well as potential further interest rate cuts across the region.

For the Investment Banking business, the M&A momentum is projected to continue into 2020. The outlook would be highly dependent on the economic dimension and market directions. The trend will also have direct impact to Equity Capital activities. Nevertheless the outlook for Debt Capital Market (DCM) business is expected to remain encouraging.

#### **Ratings by External Rating Agencies**

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
RAM Rating Services Berhad	August 2019	Long-term Financial Institution Rating	AAA	Stable
		Short-term Financial Institution Rating	P1	
Moody's Investors Service	January 2020	Long-term Issuer Rating	A3	Stable
		Short-term Issuer Rating	P-2	



# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report**

**for the financial year ended 31 December 2019 (Continued)**

### **Board Shariah Committee**

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

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

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

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

The members of the Board Shariah Committee are as follows:

1. Dr. Nedham Yaqoobi
2. Dr. Shafaai bin Musa
3. Professor Dr. Yousef Abdullah Al Shubaily
4. Associate Professor Dr. Aishath Muneeza
5. Ahmed Baqar Rehman (appointed on 1 June 2019)
6. Dr. Ahmad Sufian Che Abdullah (appointed on 1 November 2019)
7. Professor Dr. Mohammad Hashim Kamali (contract of appointment expired on 13 June 2019)

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Directors' Report for the financial year ended 31 December 2019 (Continued)**

#### **Board Shariah Committee (Continued)**

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

#### **Significant event during the financial year**

Significant events during the financial year are disclosed in Note 44 to the Financial Statements.

#### **Subsequent events after the financial year end**

There are no significant events subsequent to the financial year ended 31 December 2019.

#### **Statement of Director's Responsibility**

In preparing the Financial Statements, the Directors have ensured that the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 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 financial position of the Group and of the Bank as at 31 December 2019 and financial performance of the Group and of the Bank for the financial year ended 31 December 2019.

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.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report for the financial year ended 31 December 2019 (Continued)**

### **Statement of Director's Responsibility (Continued)**

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 251 (2) of the Companies Act 2016 is set out on page 10 of the Directors' Report.

### **Ultimate holding company**

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

### **Auditors**


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

This report was approved by the Board of Directors on 29 January 2020.

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



**Dato' Robert Cheim Dau Meng**  
Chairman



**Jefferi Mahmud Hashim**  
Director  
9 March 2020

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Statement by Directors**


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

We, Dato' Robert Cheim Dau Meng and Jefferi Mahmud Hashim, being two of the Directors of CIMB Investment Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 19 to 204 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2019 and financial performance of the Group and the Bank for the financial year ended 31 December 2019, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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



**Dato' Robert Cheim Dau Meng**  
Chairman



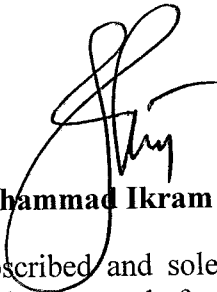
**Jefferi Mahmud Hashim**  
Director  
9 March 2020

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Statutory Declaration Pursuant to Section 251(1) of the Companies Act 2016

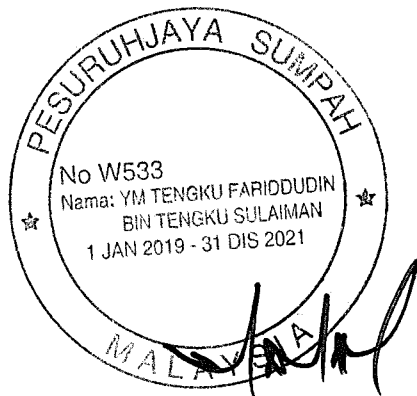
I, Muhammad Ikram Kamarudin, being the Officer primarily responsible for the financial management of CIMB Investment Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 19 to 204 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



**Muhammad Ikram Kamarudin**

Subscribed and solemnly declared by the above named Muhammad Ikram Kamarudin at Kuala Lumpur before me, on 9 March 2020.

Commissioner for Oaths



205, Bangunan Loke Yew  
4, Jln Mahkamah Persekutuan  
50480 Kuala Lumpur (W.P.)

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Board Shariah Committee's Report**

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

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

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

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

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

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

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

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

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Board Shariah Committee's Report (Continued)**

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

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

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the Islamic banking and finance 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 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.

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2019 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. All earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Board Shariah Committee's Report (Continued)**

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

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the financial year ended 31 December 2019 were conducted in conformity with Shariah.

On behalf of the Board Shariah Committee



**Dr. Shafaai bin Musa**  
Chairman



**Associate Professor Dr. Aishath Muneeza**  
Member

Kuala Lumpur  
9 March 2020





INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CIMB INVESTMENT BANK BERHAD  
(Incorporated in Malaysia)  
(Company No. 197401001266 (18417-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB Investment Bank Berhad (“the Bank”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 204.

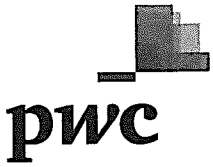
Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

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

Independence and other ethical responsibilities

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



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CIMB INVESTMENT BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 197401001266 (18417-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Board Shariah Committee's Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

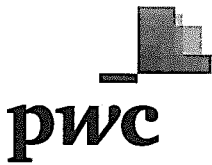
In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained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

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

Responsibilities of the Directors for the financial statements

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

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



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CIMB INVESTMENT BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 197401001266 (18417-M))

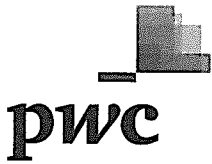
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CIMB INVESTMENT BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 197401001266 (18417-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (Continued)

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants  
Kuala Lumpur  
9 March 2020

ONG CHING CHUAN  
02907/11/2021 J  
Chartered Accountant

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Statements of Financial Position  
as at 31 December 2019**

	Note	The Group		The Bank	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<b>Assets</b>					
Cash and short term funds	2	623,005	889,098	622,042	888,128
Reverse repurchase agreements	3	51,024	-	51,024	-
Deposits and placements with banks and other financial institutions	4	10	10	-	-
Financial investments at fair value through profit or loss	5	573	6,437	573	6,437
Equity instruments at fair value through other comprehensive income	6	844	1,117	-	-
Derivative financial instruments	7	-	5,240	-	5,240
Other assets	8	38,118	615,536	37,306	614,726
Tax recoverable	21	26,190	14,126	26,189	14,125
Deferred Taxation	9	16,895	19,074	16,895	19,074
Amounts due from related companies	37	43,749	2,745	43,749	2,760
Statutory deposits with Bank Negara Malaysia	10	91	91	91	91
Investment in subsidiaries	11	-	-	50	50
Investment in associates	12	8,370	8,195	-	-
Property, plant and equipment	13	38,314	31,753	38,314	31,753
Right-of-use assets	14	13,586	-	13,586	-
Investment properties	15	16,819	17,334	16,819	17,334
Goodwill	16	-	-	-	-
		<b>877,588</b>	<b>1,610,756</b>	<b>866,638</b>	<b>1,599,718</b>
Non-current assets held for sale	47	-	74,288	-	28,656
<b>Total assets</b>		<b>877,588</b>	<b>1,685,044</b>	<b>866,638</b>	<b>1,628,374</b>
<b>Liabilities</b>					
Deposits from customers	17	10,020	127,749	10,020	127,749
Deposits and placements of banks and other financial institutions	18	91,068	261,087	91,068	261,087
Derivative financial instruments	7	-	3,249	-	3,249
Other liabilities	19	90,700	586,193	90,693	586,169
Lease liabilities	20	13,976	-	13,976	-
Amounts due to related companies	37	22,454	14,568	22,425	14,568
		<b>228,218</b>	<b>992,846</b>	<b>228,182</b>	<b>992,822</b>
Non-current liabilities held for sale	47	-	76,866	-	64,962
<b>Total liabilities</b>		<b>228,218</b>	<b>1,069,712</b>	<b>228,182</b>	<b>1,057,784</b>
<b>Capital and reserves attributable to</b>					
Ordinary share capital	22	100,000	100,000	100,000	100,000
Redeemable preference shares	23	10	10	10	10
Reserves	24	549,360	515,322	538,446	470,580
<b>Total equity</b>		<b>649,370</b>	<b>615,332</b>	<b>638,456</b>	<b>570,590</b>
<b>Total equity and liabilities</b>		<b>877,588</b>	<b>1,685,044</b>	<b>866,638</b>	<b>1,628,374</b>
Commitments and contingencies	42	-	914,926	-	914,926
<b>Net assets per ordinary share (RM)</b>		<b>6.49</b>	<b>6.15</b>	<b>6.38</b>	<b>5.71</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Statements of Income  
for the financial year ended 31 December 2019**

	Note	The Group		The Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	25	19,289	23,357	19,263	23,329
Interest income for financial assets at fair value through profit or loss	26	111	105	111	105
Interest expense	27	(13,230)	(22,397)	(13,230)	(22,397)
Net interest income		6,170	1,065	6,144	1,037
Income derived from investment of shareholders' funds	50	29,602	32,930	29,602	32,930
Income attributable to the depositors	50	(3)	(1)	(3)	(1)
Income from Islamic Banking operations		29,599	32,929	29,599	32,929
Expected credit losses made on loan, advances and financing	28	-	(22)	-	(22)
Expected credit losses written back on trade receivables	29	502	211	502	211
		36,271	34,183	36,245	34,155
Non-interest income	30	617,908	77,955	652,441	77,955
Total income		654,179	112,138	688,686	112,110
Overheads	31	(206,792)	(86,327)	(206,756)	(87,517)
		447,387	25,811	481,930	24,593
Share of results of associates	12	175	442	-	-
Profit from continuing operations before taxation		447,562	26,253	481,930	24,593
Taxation	33	8,948	(11,363)	9,047	(11,178)
Profit from continuing operations after taxation		456,510	14,890	490,977	13,415
(Loss)/profit from discontinued operation	34	(5,411)	6,911	(6,323)	2,575
<b>Profit for the financial year</b>		<b>451,099</b>	<b>21,801</b>	<b>484,654</b>	<b>15,990</b>
<b>Profit for the financial year attributable to :</b>					
<b>Owners of the Group/Bank</b>		<b>451,099</b>	<b>21,801</b>	<b>484,654</b>	<b>15,990</b>
<b>Basic earnings per share for profit from continuing operations attributable to ordinary equity holders (sen)</b>	35	<b>456.51</b>	14.89	<b>490.98</b>	13.42
<b>Basic earnings per share for (loss)/profit from discontinued operation attributable to ordinary equity holders (sen)</b>	35	<b>(5.41)</b>	6.91	<b>(6.32)</b>	2.58
<b>Basic earnings per share for profit attributable to ordinary equity holders (sen)</b>	35	<b>451.10</b>	21.80	<b>484.66</b>	16.00

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Statements of Comprehensive Income for the financial year ended 31 December 2019

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year	451,099	21,801	484,654	15,990
<b>Other comprehensive income</b>				
Items that will not be reclassified to profit or loss:				
Equity instruments at fair value through other comprehensive income				
- Net (loss)/gain from change in fair value	(273)	296	-	-
Other comprehensive income for the financial year, net of tax	(273)	296	-	-
<b>Total comprehensive income for the financial year</b>	<b>450,826</b>	<b>22,097</b>	<b>484,654</b>	<b>15,990</b>
<b>Total comprehensive income for the financial year arises from :</b>				
Continuing operations	456,237	15,186	490,977	13,415
Discontinued operation	(5,411)	6,911	(6,323)	2,575
	<b>450,826</b>	<b>22,097</b>	<b>484,654</b>	<b>15,990</b>

Company No: 197401001266 (18417-M)

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Statements of Changes in Equity for the financial year ended 31 December 2019

	← Attributable to owners of Parent →							Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Reserve-equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
<b>The Group</b>								
<b>At 1 January 2019</b>	100,000	10	(5,718)	-	5,101	-	515,939	615,332
Profit for the financial year	-	-	-	-	-	-	451,099	451,099
-Equity instruments at fair value through other comprehensive income	-	-	(273)	-	-	-	-	(273)
Total comprehensive income for the financial year	-	-	(273)	-	-	-	451,099	450,826
Share-based payment expense	-	-	-	-	4,494	-	-	4,494
Shares released under Equity Ownership Plan	-	-	-	-	(5,292)	-	-	(5,292)
Transfer to regulatory reserve	-	-	-	-	-	116	(116)	-
Interim dividend paid in respect of the financial year ended 31 December 2018	-	-	-	-	-	-	(15,990)	(15,990)
Special dividend paid in respect of the financial year ended 31 December 2019	-	-	-	-	-	-	(400,000)	(400,000)
<b>At 31 December 2019</b>	<b>100,000</b>	<b>10</b>	<b>(5,991)</b>	<b>-</b>	<b>4,303</b>	<b>116</b>	<b>550,932</b>	<b>649,370</b>



Company No: 197401001266 (18417-M)

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of Changes in Equity  
for the financial year ended 31 December 2019 (Continued)**

	Note	Attributable to owners of Parent							Total RM'000
		Ordinary share capital RM'000	Redeemable preference shares RM'000	Reserve-equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
<b>The Group</b>									
At 1 January 2018		100,000	10	-	317	4,119	1,952	576,929	683,327
-Effect of adopting MFRS 9		-	-	(6,014)	(317)	-	5,419	1,838	926
Adjusted at 1 January 2018		100,000	10	(6,014)	-	4,119	7,371	578,767	684,253
Profit for the financial year		-	-	-	-	-	-	21,801	21,801
-Equity instruments at fair value through other comprehensive income		-	-	296	-	-	-	-	296
Total comprehensive income for the financial year		-	-	296	-	-	-	21,801	22,097
Share-based payment expense	39	-	-	-	-	5,857	-	-	5,857
Shares released under Equity Ownership Plan	39	-	-	-	-	(4,875)	-	-	(4,875)
Transfer from regulatory reserve	24	-	-	-	-	-	(7,371)	7,371	-
Interim dividend paid in respect of the financial year ended 31 December 2017	36	-	-	-	-	-	-	(92,000)	(92,000)
<b>At 31 December 2018</b>		100,000	10	(5,718)	-	5,101	-	515,939	615,332

Company No: 197401001266 (18417-M)

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of Changes in Equity  
for the financial year ended 31 December 2019 (Continued)**

	Note	Non-distributable					Distributable			Total RM'000
		Ordinary share capital RM'000	Redeemable preference shares RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Reserve equity instruments at fair value through other comprehensive income RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
The Bank										
At 1 January 2019		100,000	10	(272,007)	5,101	(6,331)	271,377	-	472,440	570,590
Profit for the financial year		-	-	-	-	-	-	-	484,654	484,654
Total comprehensive income for the financial year		-	-	-	-	-	-	-	484,654	484,654
Share-based payment expense	39	-	-	-	4,494	-	-	-	-	4,494
Shares released under Equity Ownership Plan	39	-	-	-	(5,292)	-	-	-	-	(5,292)
Disposal of equities business	24	-	-	272,007	-	-	(271,377)	-	(630)	-
Transfer to regulatory reserve	36	-	-	-	-	-	-	116	(116)	-
Interim dividend paid in respect of the financial year ended 31 December 2018		-	-	-	-	-	-	-	(15,990)	(15,990)
Special dividend paid in respect of the financial year ended 31 December 2019	36	-	-	-	-	-	-	-	(400,000)	(400,000)
<b>At 31 December 2019</b>		<b>100,000</b>	<b>10</b>	<b>-</b>	<b>4,303</b>	<b>(6,331)</b>	<b>-</b>	<b>116</b>	<b>540,358</b>	<b>638,456</b>

Company No: 197401001266 (18417-M)

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of Changes in Equity  
for the financial year ended 31 December 2019 (Continued)**

	← Non-distributable				← Distributable →				
	Ordinary share capital RMF000	Redeemable preference shares RMF000	Merger reserve RMF000	Share-based payment reserve RMF000	Reserve equity instruments at fair value through other comprehensive income RMF000	Capital reserve RMF000	Regulatory reserve RMF000	Retained profits RMF000	Total RMF000
<b>The Bank</b>									
At 1 January 2018	100,000	10	(272,007)	4,119	-	271,377	1,952	539,241	644,692
-Effect of adopting MFRS 9	-	-	-	-	(6,331)	-	5,419	1,838	926
<b>Adjusted at 1 January 2018</b>	100,000	10	(272,007)	4,119	(6,331)	271,377	7,371	541,079	645,618
Profit for the financial year	-	-	-	-	-	-	-	15,990	15,990
Total comprehensive income for the financial year	-	-	-	-	-	-	-	15,990	15,990
Share-based payment expense	-	-	-	5,857	-	-	-	-	5,857
Shares released under Equity Ownership Plan	-	-	-	(4,875)	-	-	-	-	(4,875)
Transfer from regulatory reserve	-	-	-	-	-	-	(7,371)	7,371	-
Interim dividend paid in respect of the financial year ended 31 December 2017	-	-	-	-	-	-	-	(92,000)	(92,000)
<b>At 31 December 2018</b>	100,000	10	(272,007)	5,101	(6,331)	271,377	-	472,440	570,590

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Statements of Cash Flows  
for the financial year ended 31 December 2019**

	Note	The Group		The Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Operating activities</b>					
Profit before taxation from:					
Continuing operations		447,562	26,253	481,930	24,593
Discontinued operation		(5,121)	11,179	(6,320)	5,473
Profit before taxation including discontinued operation		442,441	37,432	475,610	30,066
Add/(less) adjustments:					
Expected credit losses made on loans, advances and financing		-	22	-	22
Interest expense - Lease liabilities		602	-	602	-
Depreciation of right-of-use assets		3,000	-	3,000	-
Depreciation of investment properties		515	515	515	515
Depreciation of property, plant and equipment		7,413	13,974	7,376	15,113
Expected credit losses written back on trade receivables (net)		(722)	(1,309)	(722)	(1,309)
Accretion of discount less amortisation of premium		(8)	(2)	(8)	(2)
Unrealised loss/(gain) arising from financial investments at fair value through profit or loss		603	(586)	603	(586)
Unrealised loss on derivative financial instruments		1,991	1,911	1,991	1,911
Gain on disposal of property, plant and equipment		(717)	(2,182)	(717)	(2,164)
Gain on disposal of equities business		(432,421)	-	(466,954)	-
Gross dividends from financial investments at fair value through profit or loss		(18)	(6)	(18)	(6)
Unrealised foreign exchange gain		(319)	(3,120)	(319)	(3,100)
Share of results of associates	12	(175)	(442)	-	-
Share-based payment expense		4,494	5,857	4,494	5,857
Property, plant and equipment written off		230	-	230	-
Cash flow from operating profit before changes in operating assets and liabilities		26,909	52,064	25,683	46,317
<b>Decrease/(increase) in operating assets</b>					
Reverse repurchase agreements		(51,024)	-	(51,024)	-
Deposits and placements with banks and other financial institutions		-	19	-	-
Financial investments at fair value through profit or loss		5,348	(3,603)	5,348	(3,603)
Loans, advances and financing		-	169,624	-	169,624
Other assets		612,001	1,352,061	571,696	1,403,268
Right-of-use assets		(204)	-	(204)	-
Amounts due from related companies		(34,658)	1,735	(34,660)	1,734
Amounts due from ultimate holding company		(6,346)	(3)	(6,346)	(3)
Amounts due from subsidiaries		-	-	15	297
		525,117	1,519,833	484,825	1,571,317

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Statements of Cash Flows  
for the financial year ended 31 December 2019 (Continued)**

	Note	The Group		The Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
<b>(Decrease)/increase in operating liabilities</b>					
Deposits from customers		(117,729)	89,112	(117,729)	89,112
Deposits and placements of banks and other financial institutions		(170,019)	(439,909)	(170,019)	(439,909)
Lease liabilities		203	-	203	-
Other liabilities		(474,468)	(1,425,864)	(474,026)	(1,425,688)
Amounts due to related companies		7,886	(2,522)	7,857	(2,522)
Cash used in operating activities		(202,101)	(207,286)	(243,206)	(161,373)
Taxation paid		(1,016)	(34,290)	(787)	(32,523)
Net cash used in operating activities		(203,117)	(241,576)	(243,993)	(193,896)
<b>Investing activities</b>					
Dividends received from financial investments at fair value through profit or loss		18	6	18	6
Proceeds from disposal of equities business	47	394,098	-	434,981	-
Purchase of property, plant and equipment	13	(16,157)	(6,503)	(16,157)	(6,503)
Proceeds from disposal of property, plant and equipment		4,654	2,251	4,654	2,251
Net cash generated from/(used) in used in investing activities		382,613	(4,246)	423,496	(4,246)
<b>Financing activities</b>					
Repayment of lease liabilities		(3,205)	-	(3,205)	-
Dividends paid		(415,990)	(92,000)	(415,990)	(92,000)
Net cash used in financing activities		(419,195)	(92,000)	(419,195)	(92,000)
<b>Net decrease in cash and cash equivalents during the financial year</b>		(239,699)	(337,822)	(239,692)	(290,142)
<b>Cash and cash equivalents at beginning of the financial year</b>		862,704	1,200,526	861,734	1,151,876
<b>Cash and cash equivalents at end of the financial year</b>		623,005	862,704	622,042	861,734
<b>Cash and cash equivalents comprise the following:</b>					
Cash and short term funds	2	623,005	889,098	622,042	888,128
Adjustment for monies held in trust:					
Remisiers' balances		-	(26,394)	-	(26,394)
Cash and cash equivalents		623,005	862,704	622,042	861,734

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

	The Group and the Bank	
	Lease liabilities	Total
	RM'000	RM'000
<b>At 1 January 2019</b>	-	-
Effect of adopting MFRS 16	16,376	16,376
<b>Adjusted 1 January 2019</b>	16,376	16,376
Repayment and redemption	(3,205)	(3,205)
Interest paid	602	602
Other non cash movement	203	203
<b>At 31 December 2019</b>	13,976	13,976

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019**

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

#### **A Basis of preparation**

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

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 46.

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

The new accounting standards and amendments to published standards and interpretation that are effective and applicable to the Group and the Bank for the financial year beginning 1 January 2019 are as follows:

- MFRS 16 “Leases”
- Amendments to MFRS 9 “Prepayment Features with Negative Compensation”
- Amendments to MFRS 128 “Long-term Interests in Associates and Joint Ventures”
- Amendments to MFRS 119 “Plan Amendment, Curtailment or Settlement”
- Annual Improvements to MFRSs 2015 – 2017 Cycle
- IC Interpretation 23 “Uncertainty over Income Tax Treatments”

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **A Basis of preparation (Continued)**

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

The Group and the Bank have adopted MFRS 16 for the first time in the 2019 Financial Statements, which resulted in changes in accounting policies. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 “Leases” and IC Interpretation 4 “Determining whether an Arrangement Contains a Lease”.

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of initial application.

The impact of adoption of MFRS 16 of the Group is summarised in Note 48.

Other than that, the adoption of other amendments to published standards above did not have any impact on the current period or any prior period and is not likely to affect future periods.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **A Basis of preparation (Continued)**

##### **(b) Standards, amendments to published standards and interpretations 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 2020**

- Amendments to MFRS 3 “Definition of a Business” (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term ‘outputs’ is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as ‘concentration test’ that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

- Amendments to MFRS 101 and MFRS 108 clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of ‘material’ has been revised as “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”



## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **A Basis of preparation (Continued)**

##### **(b) Standards, amendments to published standards and interpretations 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 2020 (Continued)**

- Amendments to MFRS 101 and MFRS 108 clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting. (Continued)

The amendments also:

- clarify that an entity assess materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

#### **B Economic entities in the Group**

##### **(a) Subsidiaries**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **B Economic entities in the Group (Continued)**

##### **(a) Subsidiaries (Continued)**

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

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

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

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised. The acquired entity's results and balance sheet are incorporated prospectively from the date on which the business combination between entities under common control occurred.

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **B Economic entities in the Group (Continued)**

##### **(a) Subsidiaries (Continued)**

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

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

##### **(b) Disposal of subsidiaries**

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

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

##### **(c) Associates**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **B Economic entities in the Group (Continued)**

##### **(c) Associates (Continued)**

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

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

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **B Economic entities in the Group (Continued)**

##### **(c) Associates (Continued)**

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

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

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

##### **(d) Interests in subsidiaries and associates**

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

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

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

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest/profit income or interest/profit expense over the relevant period. The effective interest/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 interest/profit rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

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

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

#### **D Recognition of fees and other income**

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

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

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

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

Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **E Financial assets**

##### **(a) Classification**

The Group and the Bank classify their financial assets into the following measurement categories:

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

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

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

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

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

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

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

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **E Financial assets (Continued)**

##### **(b) Recognition and initial measurement**

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

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

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

##### **(c) Subsequent measurement**

###### **Debt instruments**

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

##### **(i) Amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss on a debt investment measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

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

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



## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **E Financial assets (Continued)**

##### **(c) Subsequent measurement (Continued)**

##### **Debt instruments (Continued)**

##### **(iii) Fair value through profit or loss (“FVTPL”)**

Assets that do not meet the criteria for amortised cost or, FVOCI are measured at fair value through profit or loss. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within non-interest income in the period which it arises.

##### **Equity instruments**

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

Changes in the fair value of financial investments at fair value through profit or loss are recognised in non-interest income in the statement of income as applicable.

##### **(d) Reclassification of financial assets**

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

#### **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.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **F Financial liabilities (Continued)**

##### **(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 P.

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

##### **(b) Financial liabilities at amortised cost**

Financial liabilities that are not classified as 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, other liabilities, lease liabilities and amount due to related companies.

#### **G Derecognition of financial assets and financial liabilities**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (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 a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### **I Impairment of financial assets**

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

- (i) Financial assets accounted for at amortised cost and FVOCI.

The Group and the Bank use general 3-stage approach for financial assets accounted for at amortised cost and FVOCI which reflect their credit risk and how the ECL is determined for each of those categories.

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

- (a) Stage 1: 12-months ECL  
Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-month ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
- (b) Stage 2: Lifetime ECL – not credit impaired  
Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
- (c) Stage 3: Lifetime ECL – credit impaired  
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **I Impairment of financial assets (Continued)**

##### (ii) Other assets

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

#### **J Sale and repurchase agreements**

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

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

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

#### **K Property, plant and equipment**

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

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the 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 year in which they are incurred.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **K Property, plant and equipment (Continued)**

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

Office equipment, furniture & fittings	
- office equipment	3 to 10 years
- furniture and fixtures	5 to 10 years
Renovations to rented premises	5-10 years or over the period of the tenancy, whichever is shorter
Computer equipment and software	3 - 15 years
Motor vehicles	5 years

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

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

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

#### **Accounting policies applied from 1 January 2019**

From 1 January 2019, leased assets are presented as a separate line item in statement of financial position. See Note N on right-of-use assets for these assets.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **L Investment properties**

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

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

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

#### **M Goodwill**

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

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the business combination in which goodwill arose, identified according to operating segment.

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **N Leases – The Group and the Bank as lessee**

##### **(a) Finance lease**

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

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

##### **(b) Operating lease**

###### *Leasehold land*

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

###### *Others*

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

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

#### **Accounting policies applied from 1 January 2019**

From 1 January 2019, leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **N Leases – The Group and the Bank as lessee (Continued)**

##### **Accounting policies applied from 1 January 2019 (Continued)**

###### **(i) Lease term**

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

###### **(ii) ROU assets**

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

###### **(iii) Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.



## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **N Leases – The Group and the Bank as lessee (Continued)**

##### **Accounting policies applied from 1 January 2019 (Continued)**

##### **(iii) Lease liabilities (Continued)**

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, an incremental borrowing rate is used in determining the discount rate which assumes the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain the asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented under net interest income in the statement of income.

##### **(iv) Short term leases and leases of low value assets**

The Group elects to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture with value of RM20,000 (or equivalent to USD 5,000) or below. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

#### **O Leases – the Group and the Bank as lessor**

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **O Leases – the Group and the Bank as lessor (Continued)**

##### **(a) Finance lease**

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment. In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

##### **(b) Operating lease**

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term. When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

#### **P Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. 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 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 statement of income immediately.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **Q 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 ("RM"), 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 or valuation where items are remeasured. 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.

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

#### **R Income and deferred taxes**

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

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **R Income and deferred taxes (Continued)**

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

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

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

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

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

#### **S 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 contractual arrangement of the particular instrument.

##### **(b) Share issue costs**

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

##### **(c) Dividends**

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

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **T Employee benefits**

##### **(a) Short term employee benefits**

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

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

##### **(b) Post employment benefits**

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

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

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

##### **(c) 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 can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **T Employee benefits (Continued)**

##### **(d) Share-based compensation benefits**

###### Employee Ownership Plan (“EOP”)

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

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

#### **U 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.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **V Provisions**

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

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

Provisions are not recognised for future operating losses.

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

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

#### **W Cash and cash equivalents**

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

#### **X Segment reporting**

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

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

#### **Y Contingent assets and contingent liabilities**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Group Accounting Policies for the financial year ended 31 December 2019 (Continued)**

#### **Y Contingent assets and contingent liabilities (Continued)**

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

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

#### **Z Non-current assets/disposal groups held for sale and discontinued operations**

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

An impairment loss is recognised for any initial or subsequent write-down of the assets to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business. Classification as a discontinued operation occur upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of income and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

#### **AA Trust activities**

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



# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2019

### 1 General information

The principal activities of the Bank are investment banking and the provision of related financial services. The principal activities of its subsidiaries, as set out in Note 11 to the Financial Statements, consist of the provision of nominees services. There was no significant change in the nature of these activities during the financial year, other than as disclosed in Note 44 to the financial statements.

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

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

The address of the Bank’s registered office is 13<sup>th</sup> Floor, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The Bank’s principal place of business is at 17<sup>th</sup> Floor, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

### 2 Cash and short term funds

	The Group		The Bank	
	31 December 2019 RM’000	31 December 2018 RM’000	31 December 2019 RM’000	31 December 2018 RM’000
Cash and balances with banks and other financial institutions	108,099	87,285	108,040	87,226
Money at call and deposit placements maturing within one month	514,906	801,813	514,002	800,902
	<u>623,005</u>	<u>889,098</u>	<u>622,042</u>	<u>888,128</u>

In 2019, no trust accounts for remisiers are maintained for the Group and the Bank (2018: RM26,394,000).

### 3 Reverse repurchase agreements

	The Group		The Bank	
	31 December 2019 RM’000	31 December 2018 RM’000	31 December 2019 RM’000	31 December 2018 RM’000
Reverse repurchase agreements - at amortised cost	<u>51,024</u>	<u>-</u>	<u>51,024</u>	<u>-</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****4 Deposits and placements with banks and other financial institutions**

	The Group		The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Licensed banks	<u>10</u>	<u>10</u>	<u>-</u>	<u>-</u>

**5 Financial investments at fair value through profit or loss**

	The Group and the Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
<b>At fair value</b>		
<b>Quoted securities:</b>		
<i>In Malaysia</i>		
Shares	-	4
<i>Outside Malaysia</i>		
Shares	-	2,103
<b>Unquoted securities:</b>		
<i>In Malaysia</i>		
Bonds	<u>573</u>	<u>4,330</u>
Total financial investments at fair value through profit or loss	<u>573</u>	<u>6,437</u>

**6 Equity instruments at fair value through other comprehensive income**

	The Group		The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<b>At fair value</b>				
<b>Unquoted securities :</b>				
<i>Outside Malaysia</i>				
Shares	<u>844</u>	<u>1,117</u>	<u>-</u>	<u>-</u>
Total equity instruments at fair value through other comprehensive income	<u>844</u>	<u>1,117</u>	<u>-</u>	<u>-</u>

Equity instruments at fair value through other comprehensive income comprise the following individual investment:

	The Group		The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<b>Unquoted securities</b>				
PT Commerce Kapital	<u>844</u>	<u>1,117</u>	<u>-</u>	<u>-</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****7 Derivative financial instruments**

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

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

The Group and the Bank At 31 December 2019	Principal amount RM'000	Fair values	
		Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>			
<u>Islamic profit rate derivatives</u>			
Profit rate swaps	-	-	-
<u>Equity derivatives</u>			
Equity options	-	-	-
<u>Credit related derivatives</u>			
Total return swap	-	-	-
<b>Total derivative assets/(liabilities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2018</b>			
<b>Trading derivatives</b>			
<u>Islamic profit rate derivatives</u>			
Profit rate swaps	131,300	2,379	-
<u>Equity derivatives</u>			
Equity options	271,026	-	-
<u>Credit related derivatives</u>			
Total return swap	262,600	2,861	(3,249)
<b>Total derivative assets/(liabilities)</b>	<b>664,926</b>	<b>5,240</b>	<b>(3,249)</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****8 Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2019</b>	31 December 2018	<b>31 December 2019</b>	31 December 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Due from brokers and clients, net of lifetime expected credit losses RM Nil (2018: RM7,503,000)	(a) -	449,568	-	449,568
Collateral pledged for derivative transactions	-	132,103	-	132,103
Other debtors, net of expected credit losses of RM6,835,000 (2018: RM7,327,000) deposits and prepayments	(b) <b>38,118</b>	33,865	<b>37,306</b>	33,055
	<b>38,118</b>	<b>615,536</b>	<b>37,306</b>	<b>614,726</b>

(a) Movement of lifetime expected credit losses using simplified approach on amount due from brokers and clients:-

	<b>The Group</b>		<b>The Bank</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At 1 January	<b>7,503</b>	6,331	<b>7,503</b>	6,331
Net expected credit losses (written back)/made during financial year	<b>(220)</b>	1,172	<b>(220)</b>	1,172
Disposal of equities business	<b>(7,283)</b>	-	<b>(7,283)</b>	-
At 31 December	<b>-</b>	<b>7,503</b>	<b>-</b>	<b>7,503</b>

Expected lifetime credit losses using simplified approach on amount due from brokers and clients are all of portfolio impairment allowances.

(b) Movement of lifetime expected credit losses using simplified approach on other debtors are as follows:

	<b>The Group and the Bank Total RM'000</b>
At 1 January 2019	<b>7,327</b>
Net expected credit loss written back during the financial year	<b>(502)</b>
Credit impaired recovered transfer from Non-current assets held for sale	<b>10</b>
At 31 December 2019	<b>6,835</b>
	<b>The Group and the Bank Total RM'000</b>
At 1 January 2018	<b>11,877</b>
Net lifetime expected credit loss written back during the financial year	<b>(1,980)</b>
Transfer to Non-current assets held for sale	<b>(2,570)</b>
At 31 December 2018	<b>7,327</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****9 Deferred taxation**

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

	The Group		The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Deferred tax asset (net)	<u>16,895</u>	<u>19,074</u>	<u>16,895</u>	<u>19,074</u>

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

	The Group		The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<b>Deferred tax assets (before offsetting)</b>				
Expected credit losses	1,640	4,175	1,640	4,175
Provision for expenses	12,873	12,273	12,873	12,273
Post employment benefit obligations	1,034	1,225	1,034	1,225
Lease liabilities	3,355	-	3,355	-
Other temporary differences	1,166	1,220	1,166	1,220
Property, plant and equipment	88	181	88	181
	<u>20,156</u>	<u>19,074</u>	<u>20,156</u>	<u>19,074</u>
Right-of-use assets	(3,261)	-	(3,261)	-
<b>Deferred tax assets (after offsetting)</b>	<u>16,895</u>	<u>19,074</u>	<u>16,895</u>	<u>19,074</u>
<b>Deferred tax liabilities (before offsetting)</b>				
Right-of-use assets	(3,261)	-	(3,261)	-
	<u>(3,261)</u>	<u>-</u>	<u>(3,261)</u>	<u>-</u>
Offsetting	3,261	-	3,261	-
<b>Deferred tax liabilities (after offsetting)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**9 Deferred taxation (Continued)**

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

	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Right-of-use assets RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Lease liabilities RM'000	Post employment benefit obligations RM'000	Total RM'000
<b>The Group</b>								
<b>Deferred tax assets/(liabilities)</b>								
At 1 January 2019	4,175	181	-	1,220	12,273	-	1,225	19,074
- Effect of adopting MFRS 16	-	-	(3,930)	-	-	3,930	-	-
At 1 January 2019, restated	4,175	181	(3,930)	1,220	12,273	3,930	1,225	19,074
(Charged)/credited to statements of income	(2,535)	(119)	669	(54)	600	(575)	(191)	(2,205)
Over provision in prior year	-	26	-	-	-	-	-	26
At 31 December 2019	1,640	88	(3,261)	1,166	12,873	3,355	1,034	16,895
	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Right-of-use assets RM'000	Other temporary differences RM'000	Provision for expenses RM'000	Lease liabilities RM'000	Post employment benefit obligations RM'000	Total RM'000
<b>The Group</b>								
<b>Deferred tax assets/(liabilities)</b>								
At 1 January 2018	-	(350)	-	1,852	18,858	-	984	21,344
Credited/(charged) to statements of income	4,175	531	-	(509)	(6,570)	-	241	(2,132)
Under provision in prior year	-	(11)	-	-	-	-	-	(11)
Transfer (to)/from Non-current assets held for	-	11	-	(123)	(15)	-	-	(127)
At 31 December 2018	4,175	181	-	1,220	12,273	-	1,225	19,074

Company No: 197401001266 (18417-M)

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**9 Deferred taxation (Continued)**

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

The Bank	Expected credit losses	Accelerated tax depreciation	Right-of-use assets	Other temporary differences	Provision for expenses	Lease liabilities	Post employment benefit obligations	Total
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	4,175	181	-	1,220	12,273	-	1,225	19,074
- Effect of adopting MFRS 16	-	-	(3,930)	-	-	3,930	-	-
At 1 January 2019, restated	4,175	181	(3,930)	1,220	12,273	3,930	1,225	19,074
(Charged)/credited to statements of income	(2,535)	(119)	669	(54)	600	(575)	(191)	(2,205)
Over provision in prior year	-	26	-	-	-	-	-	26
At 31 December 2019	1,640	88	(3,261)	1,166	12,873	3,355	1,034	16,895

The Bank	Expected credit losses	Accelerated tax depreciation	Right-of-use assets	Other temporary differences	Provision for expenses	Lease liabilities	Post employment benefit obligations	Total
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	-	(338)	-	1,729	18,842	-	984	21,217
Credited/(charged) to statements of income	4,175	531	-	(509)	(6,570)	-	241	(2,132)
(Under)/over provision in prior year	-	(12)	-	-	1	-	-	(11)
At 31 December 2018	4,175	181	-	1,220	12,273	-	1,225	19,074

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 10 Statutory deposits with Bank Negara Malaysia

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

#### 11 Investment in subsidiaries

	The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Unquoted shares, at cost	<u>50</u>	<u>50</u>

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

Name of subsidiaries	Principal activities	Percentage of equity held directly by the Bank	
		31 December 2019 %	31 December 2018 %
CIMB Holdings Sdn. Bhd.	Investment holding	100	100
CIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
CIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
CIMB EOP Management Sdn. Bhd.	Nominee services	100	100
CIMB Futures Sdn. Bhd. #	Futures broking	-	100
CIMB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
CIMB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100

# As at 31 December 2018, the investment in CIMB Futures Sdn Bhd has been presented as held for sale following the announcement made by CIMB Group that CIMB Group Sdn Bhd ("CIMBG") as they have entered into a Share Purchase Agreement with China Galaxy International Financial Holdings Limited ("CGI") to sell 100% of the issued and paid-up share capital of CIMB Futures Sdn Bhd to CGS-CIMB Securities Sdn Bhd (previously known as Jupiter Securities Sdn Bhd).

During the financial year, the Bank has completed the sale of its cash equities business including its 100% equity interest in CIMB Futures Sdn Bhd to CGS-CIMB Securities Sdn Bhd.



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 12 Investment in associates

	The Group	
	31 December 2019 RM'000	31 December 2018 RM'000
At 1 January	8,195	7,753
Share of profit for the financial year	175	442
At 31 December	8,370	8,195

(a) Information about associates:

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

The associates held through CIMB Holdings Sdn. Bhd. are:

Name of associates	Principal activities	Percentage of equity held through the Bank's subsidiary company	
		31 December 2019 %	31 December 2018 %
CIMB Islamic Trustee Berhad	Trustee services	20	20
CIMB Commerce Trustee Berhad	Trustee services	20	20

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 12 Investment in associates (Continued)

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

	<b>CIMB Islamic Trustee Berhad</b>	
	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Total assets	10,234	8,726
Total liabilities	<u>(2,232)</u>	<u>(935)</u>
Net assets	<u><u>8,002</u></u>	<u><u>7,791</u></u>

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Income	4,094	4,214
Expenses	<u>(3,662)</u>	<u>(3,150)</u>
Profit before taxation	432	1,064
Taxation	<u>(221)</u>	<u>(333)</u>
Profit for the financial year	<u><u>211</u></u>	<u><u>731</u></u>

	<b>CIMB Commerce Trustee Berhad</b>	
	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Total assets	23,417	21,728
Total liabilities	<u>(3,582)</u>	<u>(2,559)</u>
Net assets	<u><u>19,835</u></u>	<u><u>19,169</u></u>

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Income	9,268	9,809
Expenses	<u>(8,043)</u>	<u>(7,612)</u>
Profit before taxation	1,225	2,197
Taxation	<u>(559)</u>	<u>(720)</u>
Profit for the financial year	<u><u>666</u></u>	<u><u>1,477</u></u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 12 Investment in associates (Continued)

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

	CIMB Islamic Trustee Berhad		CIMB Commerce Trustee Berhad		Total	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Net assets</u>						
As at 1 January	7,791	7,060	19,169	17,692	26,960	24,752
Profit for the financial year	211	731	666	1,477	877	2,208
As at 31 December	<u>8,002</u>	<u>7,791</u>	<u>19,835</u>	<u>19,169</u>	<u>27,837</u>	<u>26,960</u>
Interest in associates (%)	20	20	20	20	20	20
Interest in associates (RM '000)	1,600	1,558	3,967	3,834	5,567	5,392
Goodwill (RM '000)	<u>2,803</u>	<u>2,803</u>	<u>-</u>	<u>-</u>	<u>2,803</u>	<u>2,803</u>
Carrying value (RM '000)	<u>4,403</u>	<u>4,361</u>	<u>3,967</u>	<u>3,834</u>	<u>8,370</u>	<u>8,195</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****13 Property, plant and equipment**

<b>The Group</b>	<b>Office equipment and furniture and fittings</b>	<b>Computer equipment and software*</b>	<b>Motor vehicles</b>	<b>Renovation</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2019</b>					
<b>Cost</b>					
At 1 January 2019	11,982	44,390	2,401	37,128	95,901
Additions	170	505	120	15,362	16,157
Disposals/written off	(1,349)	(2,113)	(1,905)	(3,441)	(8,808)
Transfer from Non-current assets held for sale	1,310	2,707	289	1,950	6,256
Reclassification	-	11,782	-	(11,782)	-
At 31 December 2019	<b>12,113</b>	<b>57,271</b>	<b>905</b>	<b>39,217</b>	<b>109,506</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	8,242	34,430	2,375	19,101	64,148
Charge for the financial year	943	2,305	160	3,227	6,635
Disposals/written off	(912)	(673)	(1,904)	(1,152)	(4,641)
Transfer from Non-current assets held for sale	812	1,416	272	2,550	5,050
At 31 December 2019	<b>9,085</b>	<b>37,478</b>	<b>903</b>	<b>23,726</b>	<b>71,192</b>
<b>Net book value as at 31 December 2019</b>	<b>3,028</b>	<b>19,793</b>	<b>2</b>	<b>15,491</b>	<b>38,314</b>
<b>2018</b>					
<b>Cost</b>					
At 1 January 2018	20,789	59,941	10,506	49,895	141,131
Additions	79	244	647	5,533	6,503
Disposals/written off	(248)	(590)	(7,637)	(437)	(8,912)
Transfer to Non-current assets held for sale	(8,638)	(16,992)	(1,115)	(16,076)	(42,821)
Reclassification	-	1,787	-	(1,787)	-
At 31 December 2018	<b>11,982</b>	<b>44,390</b>	<b>2,401</b>	<b>37,128</b>	<b>95,901</b>
<b>Accumulated depreciation</b>					
At 1 January 2018	14,174	46,622	7,413	24,563	92,772
Charge for the financial year	2,068	4,232	3,319	4,355	13,974
Disposals/written off	(241)	(1,051)	(7,259)	(254)	(8,805)
Transfer to Non-current assets held for sale	(7,759)	(15,373)	(1,098)	(9,563)	(33,793)
At 31 December 2018	<b>8,242</b>	<b>34,430</b>	<b>2,375</b>	<b>19,101</b>	<b>64,148</b>
<b>Net book value as at 31 December 2018</b>	<b>3,740</b>	<b>9,960</b>	<b>26</b>	<b>18,027</b>	<b>31,753</b>

The above property, plant and equipment include computer equipment and hardware under construction at RM3,494,000 for the Group and the Bank. (2018 : RM5,630,000)

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

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****13 Property, plant and equipment (Continued)**

<b>The Bank 2019</b>	<b>Office equipment and furniture and fittings RM'000</b>	<b>Computer equipment and software* RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Renovation RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>					
At 1 January 2019	11,982	44,390	2,401	37,128	95,901
Additions	170	505	120	15,362	16,157
Disposals/written off	(1,349)	(2,113)	(1,905)	(3,441)	(8,808)
Transfer from Non-current assets held for sale	1,310	2,707	289	1,950	6,256
Reclassification	-	11,782	-	(11,782)	-
At 31 December 2019	<b>12,113</b>	<b>57,271</b>	<b>905</b>	<b>39,217</b>	<b>109,506</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	8,242	34,430	2,375	19,101	64,148
Charge for the financial year	943	2,305	160	3,227	6,635
Disposals/written off	(912)	(673)	(1,904)	(1,152)	(4,641)
Transfer from Non-current assets held for sale	812	1,416	272	2,550	5,050
At 31 December 2019	<b>9,085</b>	<b>37,478</b>	<b>903</b>	<b>23,726</b>	<b>71,192</b>
<b>Net book value as at 31 December 2019</b>	<b>3,028</b>	<b>19,793</b>	<b>2</b>	<b>15,491</b>	<b>38,314</b>

<b>The Bank 2018</b>	<b>Office equipment and furniture and fittings RM'000</b>	<b>Computer equipment and software* RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Renovation RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>					
At 1 January 2018	20,489	59,594	10,351	49,465	139,899
Additions	79	244	647	5,533	6,503
Disposals/written off	(247)	(590)	(7,482)	(438)	(8,757)
Transfer to Non-current assets held for sale	(8,339)	(16,645)	(1,115)	(15,645)	(41,744)
Reclassification	-	1,787	-	(1,787)	-
At 31 December 2018	<b>11,982</b>	<b>44,390</b>	<b>2,401</b>	<b>37,128</b>	<b>95,901</b>
<b>Accumulated depreciation</b>					
At 1 January 2018	13,913	46,309	6,057	24,391	90,670
Charge for the financial year	2,058	4,203	4,540	4,312	15,113
Disposals/written off	(239)	(1,051)	(7,124)	(254)	(8,668)
Transfer to Non-current assets held for sale	(7,490)	(15,031)	(1,098)	(9,348)	(32,967)
At 31 December 2018	<b>8,242</b>	<b>34,430</b>	<b>2,375</b>	<b>19,101</b>	<b>64,148</b>
<b>Net book value as at 31 December 2018</b>	<b>3,740</b>	<b>9,960</b>	<b>26</b>	<b>18,027</b>	<b>31,753</b>

The above property, plant and equipment include computer equipment and hardware under construction at RM3,494,000 for the Group and the Bank. (2018 : RM5,630,000)

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

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 14 Right-of-use assets

Carrying amount of right-of-use assets by class of underlying assets are as follows:

	The Group and the Bank 31 December 2019 RM'000
Buildings	<u>13,586</u>

No additions to the right-of-use assets during the financial year. Depreciation charge during the financial year for right-of-use assets are RM3,000,000.

At 31 December 2019, the short-term and low-value leases expense that are not included in lease liabilities amounted to RM2,137,000 and RM10,000 respectively.

#### 15 Investment properties

	Leasehold land - 50 years or more RM'000	Building on leasehold land-50 years or more RM'000	Total RM'000
<b>The Group and the Bank</b>			
<b>Cost</b>			
At 1 January/31 December 2019	18,609	7,135	25,744
<b>Accumulated depreciation</b>			
At 1 January 2019	6,078	2,332	8,410
Charge for the financial year	372	143	515
At 31 December 2019	6,450	2,475	8,925
<b>Net book value as at 31 December 2019</b>	<u>12,159</u>	<u>4,660</u>	<u>16,819</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 15 Investment properties (Continued)

	Leasehold land - 50 years or more RM'000	Building on leasehold land-50 years or more RM'000	Total RM'000
<b>The Group and the Bank</b>			
<b>Cost</b>			
At 1 January/31 December 2018	18,609	7,135	25,744
<b>Accumulated depreciation</b>			
At 1 January 2018	5,706	2,189	7,895
Charge for the financial year	372	143	515
At 31 December 2018	6,078	2,332	8,410
<b>Net book value as at 31 December 2018</b>	<b>12,531</b>	<b>4,803</b>	<b>17,334</b>

The investment property is valued annually at fair value based on market value determined by independent qualified valuer. The fair value is within Level 2 of the fair value hierarchy. The fair value has been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

The fair value as at 31 December 2019 amounted to RM41,000,000 (2018: RM41,000,000).

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

	<b>The Group and the Bank</b>	
	2019	2018
	RM'000	RM'000
Rental income	3,930	3,930
Operating expenses arising from investment properties that generated the rental income	1,246	1,435

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 16 Goodwill

	The Group	
	2019	2018
	RM'000	RM'000
At 1 January/31 December	<u>-</u>	<u>-</u>

As at 31 December 2018, goodwill pertaining to the stock-broking/equities business has been presented as held for sale following the announcement made by CIMB Group that CIMB Group Sdn Bhd (“CIMBG”) as they have entered into a Share Purchase Agreement with China Galaxy International Financial Holdings Limited (“CGI”) to sell 100% of equities business to Jupiter Securities. Sdn. Bhd. (“Jupiter Securities”). Refer to Note 47.

In 2019, goodwill had been derecognised subsequent to the disposal of equities business.

#### Allocation of goodwill to cash-generating units

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

#### 17 Deposits from customers

	The Group and the Bank	
	31 December 2019	31 December 2018
	RM'000	RM'000
<b>(i) By type of deposits</b>		
- Short term money market deposits	<u>10,020</u>	<u>127,749</u>
	<u>10,020</u>	<u>127,749</u>
<b>(ii) By type of customers</b>		
- Local government and statutory bodies	10,020	30,026
- Business enterprises	-	97,723
	<u>10,020</u>	<u>127,749</u>



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

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

	The Group and the Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Licensed banks	683	120,637
Other financial institutions	90,385	140,450
	<u>91,068</u>	<u>261,087</u>

The maturity structure of deposits and placements of banks and other financial institutions is as follows:

	The Group and the Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Due within six months	<u>91,068</u>	<u>261,087</u>

#### 19 Other liabilities

	The Group		The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Due to brokers and clients	-	401,347	-	401,347
Structured deposits	-	131,300	-	131,300
Accruals	85,641	47,618	85,641	47,618
Others	5,059	5,928	5,052	5,904
	<u>90,700</u>	<u>586,193</u>	<u>90,693</u>	<u>586,169</u>

#### 20 Lease liabilities

	The Group and the Bank 31 December 2019 RM'000
Buildings	<u>13,976</u>
	<u>13,976</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 21 Tax recoverable

	The Group		The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Tax recoverable	<u>26,190</u>	<u>14,126</u>	<u>26,189</u>	<u>14,125</u>

#### 22 Ordinary share capital

	The Group and the Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Issued and fully paid shares At 1 January/31 December	<u>100,000</u>	<u>100,000</u>

#### 23 Redeemable preference shares

	The Group and the Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Issued and fully paid redeemable preference shares At 1 January/31 December	<u>10</u>	<u>10</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 23 Redeemable preference shares (Continued)

On 30 January 2008, the Bank had allotted and issued 1,000,000 Redeemable Preference Shares (“RPS”) of RM0.01 each to its ultimate holding company, CIMB Group Holdings Berhad.

The main features of the RPS are as follows:

- (i) The RPS do not carry any fixed dividends;
- (ii) The RPS will rank superior to ordinary shares in the event of winding up or liquidation of the Bank;
- (iii) The RPS rank pari passu in all aspects among themselves;
- (iv) The RPS carry no right to vote at any general meeting of the ordinary shareholders of the Bank;
- (v) The RPS are not convertible to ordinary shares of the Bank; and
- (vi) The RPS may only be redeemed subject to BNM’s approval at the option of the Bank (but not the holder) at anytime from the issue date.

#### 24 Reserves

		The Group		The Bank	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Revaluation reserve - equity instruments at fair value through other comprehensive income	(i)	5,991	5,718	6,331	6,331
Share-based payment reserve	(ii)	(4,303)	(5,101)	(4,303)	(5,101)
Regulatory reserve	(iii)	(116)	-	(116)	-
Capital reserve	(iv)	-	-	-	(271,377)
Merger reserve	(v)	-	-	-	272,007
		<u>1,572</u>	<u>617</u>	<u>1,912</u>	<u>1,860</u>

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **24 Reserves (Continued)**

- (i) Revaluation reserve—equity instruments at fair value through other comprehensive income.

Movement of the revaluation reserve of equity instruments at fair value through other comprehensive income is shown in the statements of comprehensive income.

- (ii) Share-based payment reserve

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

- (iii) Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018.

BNM Guidelines on Financial Reporting and Financial Reporting for Islamic Banking Institutions requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

- (iv) Capital reserve, which is non-distributable, relates to the retained earnings of CIMB Discount House Berhad and CIMBS Sdn. Bhd. from 1 January 2006 to 30 June 2006 and 1 January 2006 to 31 December 2006 respectively, which were transferred to the Bank, arising from the business combinations under common control using the predecessor method of accounting in financial year 2006. This had been derecognised in 2019 subsequent to disposal of equities business.

- (v) Merger reserve, which is non-distributable, relates to the difference between the cost of the merger between the Bank and the business of CIMB Discount House Berhad and CIMBS Sdn. Bhd. in 2006 and the value of the net assets and reserves transferred to the Bank and the Group. This had been derecognised in 2019 subsequent to disposal of equities business.

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 25 Interest income

	The Group		The Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	-	4,034	-	4,034
Money at call and deposits placements with banks and other financial institutions	17,715	19,321	17,689	19,293
Reverse repurchase agreements	1,544	-	1,544	-
Others	30	2	30	2
	<u>19,289</u>	<u>23,357</u>	<u>19,263</u>	<u>23,329</u>

#### 26 Interest income for financial assets at fair value through profit or loss

	The Group		The Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial investments at fair value through profit or loss	103	103	103	103
Net accretion of discounts less amortisation of premium	8	2	8	2
	<u>111</u>	<u>105</u>	<u>111</u>	<u>105</u>

#### 27 Interest expense

	The Group		The Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	7,600	18,395	7,600	18,395
Deposits from customers	5,034	4,002	5,034	4,002
Lease liabilities	596	-	596	-
	<u>13,230</u>	<u>22,397</u>	<u>13,230</u>	<u>22,397</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 28 Expected credit losses made on loans, advances and financing

	The Group and the Bank	
	2019	2018
	RM'000	RM'000
<b>Expected credit losses written back on loans, advances and financing:</b>		
- Expected credit losses made using simplified approach on loans, advances and financing	-	(120)
<b>Credit impaired</b>		
- Recovered	-	98
	<u>-</u>	<u>(22)</u>

#### 29 Expected credit losses (written back)/made on trade receivables

	The Group and the Bank	
	2019	2018
	RM'000	RM'000
<b>Expected credit losses (written back)/made on:</b>		
- Trade receivables	(484)	289
<b>Credit impaired:</b>		
- Recovered	(18)	(500)
	<u>(502)</u>	<u>(211)</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****30 Net non-interest income**

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>a) Net fee and commission income:</b>				
Commissions	23,268	23,294	23,268	23,294
Service charges and fees #	83,453	298	83,453	298
Advisory and arrangement fees	42,449	21,089	42,449	21,089
Underwriting fees	5,231	10	5,231	10
Placement, book running and related fees	19,792	6,504	19,792	6,504
Other fee income	4,108	1,748	4,108	1,748
	<b>178,301</b>	<b>52,943</b>	<b>178,301</b>	<b>52,943</b>
<b>b) Dividend income from:</b>				
Financial investments at fair value through profit or loss	18	6	18	6
<b>c) Net (loss)/gain arising from financial investments at fair value through profit or loss:</b>				
- realised (loss)/gain	(2,800)	2,039	(2,800)	2,039
- unrealised (loss)/gain	(654)	586	(654)	586
	<b>(3,454)</b>	<b>2,625</b>	<b>(3,454)</b>	<b>2,625</b>
<b>d) Net loss arising from derivative financial instruments:</b>				
- realised loss	(6,824)	(1,255)	(6,824)	(1,255)
<b>e) Other income:</b>				
Foreign exchange gain	6,228	9,488	6,228	9,488
Gain on disposal of property, plant and equipment	717	2,163	717	2,163
Gain on disposal of equities business	432,244	-	466,777	-
Other non-operating income	4,340	4,302	4,340	4,302
	<b>443,529</b>	<b>15,953</b>	<b>478,062</b>	<b>15,953</b>
<b>f) Income from asset management and securities services</b>	<b>6,338</b>	<b>7,683</b>	<b>6,338</b>	<b>7,683</b>
<b>Total non interest income</b>	<b>617,908</b>	<b>77,955</b>	<b>652,441</b>	<b>77,955</b>

# In 2019, the Bank has changed its shared services operating model from cost sharing arrangement to service agreement arrangement.

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****31 Overheads**

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	128,560	95,445	128,560	95,445
- Pension cost (defined contribution plan)	11,610	10,857	11,610	10,857
- Transformation initiative expenses	8,910	-	8,910	-
- Others	4,709	3,840	4,709	3,840
	<u>153,789</u>	<u>110,142</u>	<u>153,789</u>	<u>110,142</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	6,635	11,740	6,635	12,969
- Depreciation of investment property	515	515	515	515
- Depreciation of right-of-use assets	3,000	-	3,000	-
- Equipment and other rental	3,030	7,235	3,030	7,235
- Others	7,092	1,118	7,092	1,118
	<u>20,272</u>	<u>20,608</u>	<u>20,272</u>	<u>21,837</u>
<b>Marketing expenses</b>				
- Advertisement and entertainment expenses	2,319	1,617	2,319	1,617
- Others	664	1,595	664	1,595
	<u>2,983</u>	<u>3,212</u>	<u>2,983</u>	<u>3,212</u>
<b>Administration and general expenses</b>				
- Legal and professional fees	2,497	994	2,491	991
- Communication	607	517	607	517
- Printing and stationery	350	347	350	347
- Administrative vehicle, travelling and insurance expenses	1,380	1,430	1,380	1,430
- Service expenses	19,226	2,109	19,197	2,073
- Others	5,688	7,371	5,687	7,371
	<u>29,748</u>	<u>12,768</u>	<u>29,712</u>	<u>12,729</u>
<b>Shared services cost #</b>				
- Personnel cost	-	(59,136)	-	(59,136)
- Establishment cost	-	(2,552)	-	(2,552)
- Marketing expenses	-	(534)	-	(534)
- Administration and general expenses	-	1,819	-	1,819
	<u>-</u>	<u>(60,403)</u>	<u>-</u>	<u>(60,403)</u>
Total overhead expenses	<u>206,792</u>	<u>86,327</u>	<u>206,756</u>	<u>87,517</u>

# In 2019, the Bank has changed its shared services operating model from cost sharing arrangement to service agreement arrangement.



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 31 Overheads (Continued)

The expenditure includes the following statutory disclosures :

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 32)	4,532 *	7,252 *	4,532 *	7,252 *
Rental of premises	941	4,560	941	4,560
Hire of equipment	2,089	2,675	2,089	2,675
Auditors' remuneration				
- Statutory audit (PwC Malaysia)	399	552	384	513
- Half year review	60	58	60	58
- Non-audit services	124	88	124	53

\* include fees and allowances paid and borne by CIMB Bank Berhad and CIMB Islamic Bank Berhad of RM130,000 and RM20,000 respectively (31 December 2018: RM150,000 and RM25,000 respectively).

In 2018, included in the overhead expenses are support costs amounting to RM33 million, which were incurred on behalf of CIMB Bank Berhad and recovered therefrom during the financial year based on certain agreed methods such as Capital-at-Risk, head count, actual costs, revenue and time incurred by the relevant personnel.

#### 32 Directors' remuneration

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

##### Non-Executive Directors

Dato' Robert Cheim Dau Meng

Nadzirah binti Abd Rashid

Didi Syafruddin Yahya

Manu Bhaskaran

##### Executive Director

Dato' Kong Sooi Lin (resigned on 1 March 2019)

Jefferi Mahmud Hashim (appointed on 1 March 2019)

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****32 Directors' remuneration (Continued)**

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive Director and Group CEO				
- Salary and other remuneration	3,084	5,767	3,084	5,767
- Benefits-in-kind	2	9	2	9
Non-executive Directors				
- Fees and other remuneration	1,446	1,476	1,446	1,476
	<u>4,532</u>	<u>7,252</u>	<u>4,532</u>	<u>7,252</u>

The Directors' cash bonus for the financial year 2019 will be paid in tranches, spread over financial year 2020, while for financial year 2018, it was similarly paid in tranches, spread over financial year 2019. A similar condition is also imposed on the bonus for certain key personnel.

	2019				2018			
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits- in-kind RM'000	Total RM'000	Fees RM'000	Salary and/or other remuneration RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Executive Directors</b>								
Dato' Kong Sooi Lin		390	1	391	-	5,767	9	5,776
Jeffery Mahmud Hashim	-	2,694	1	2,695	-	-	-	-
	-	3,084	2	3,086	-	5,767	9	5,776
<b>Non-Executive Directors</b>								
Dato' Robert Cheim Dau Meng	140	260	31	431	163	303	10	476
Nadzirah binti Abd Rashid	140	355	-	495	140	375	-	515
Manu Bhaskaran	140	120	-	260	140	100	-	240
Didi Syafruddin Yahya	140	120	-	260	140	105	-	245
	560	855	31	1,446	583	883	10	1,476
	560	3,939	33	4,532	583	6,650	19	7,252

The Directors and officers of the Group and of the Bank are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year for the Group and the Bank amounted to RM5,093 (31 December 2018: RM6,320).

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****33 Taxation**

## (i) Tax expense for the financial year

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax				
- Malaysian income tax	5,941	11,446	5,676	10,069
- Foreign tax	52	69	52	69
Deferred tax (Note 9)	2,205	2,132	2,205	2,132
(Over)/under provision in prior years	(16,856)	1,984	(16,977)	1,806
	<u>(8,658)</u>	<u>15,631</u>	<u>(9,044)</u>	<u>14,076</u>
<b>Income tax expense is attributable to:</b>				
Profit from continuing operations	(8,948)	11,363	(9,047)	11,178
Profit from discontinued operation	290	4,268	3	2,898
	<u>(8,658)</u>	<u>15,631</u>	<u>(9,044)</u>	<u>14,076</u>

## (ii) Numerical reconciliation of income tax expense

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit from continuing operations before taxation	447,562	26,253	481,930	24,593
Profit from discontinued operation before taxation	(5,121)	11,179	(6,320)	5,473
Less : Share of results of associates	(175)	(442)	-	-
	<u>442,266</u>	<u>36,990</u>	<u>475,610</u>	<u>30,066</u>
Tax calculated at a tax rate of 24%	106,144	8,878	114,146	7,216
Income not subject to tax	(104,113)	(398)	(112,170)	(398)
Expenses not deductible for tax purposes	6,115	5,098	5,905	5,383
(Over)/under provision in prior years	(16,856)	1,984	(16,977)	1,806
Foreign withholding tax	52	69	52	69
Tax expense	<u>(8,658)</u>	<u>15,631</u>	<u>(9,044)</u>	<u>14,076</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****34 Discontinued operation**

The Securities Commission has on 2 April 2018 approved the Proposed Acquisition and the proposed sale of CIMBG Malaysia cash equities business including the sale of 100% equity interest in CIMB Futures Sdn Bhd to Jupiter Securities Sdn. Bhd. (“Jupiter Securities”) in connection with the Proposed Partnership with China Galaxy International Financials Holdings Limited (“CGI”). During the financial year, the Bank has completed the sale of its cash equities business on 28 June 2019.

Profit attributable to the discontinued operation are as follows:

	The Group		The Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	6,087	12,611	2,510	4,726
Interest expense	(109)	(508)	(6)	-
Net interest income	5,978	12,103	2,504	4,726
Income derived from investment of shareholders' funds	795	2,726	795	2,726
Income from Islamic Banking operations	795	2,726	795	2,726
Expected credit losses written back on trade receivables	220	1,110	220	1,098
	6,993	15,939	3,519	8,550
Fee and commission income	1,899	3,061	1,899	3,061
Net gain/(loss) arising from financial investments at fair value through profit or loss	45	(94)	45	(94)
Brokerage income	49,315	112,220	47,340	107,158
Other non-interest income	399	1,180	415	1,136
Non-interest income	51,658	116,367	49,699	111,261
Net income	58,651	132,306	53,218	119,811
Overheads	(63,772)	(121,127)	(59,538)	(114,338)
(Loss)/profit before taxation of discontinued operation	(5,121)	11,179	(6,320)	5,473
Taxation	(290)	(4,268)	(3)	(2,898)
<b>(Loss)/profit after taxation/total comprehensive income for the financial year of discontinued operation</b>	<b>(5,411)</b>	<b>6,911</b>	<b>(6,323)</b>	<b>2,575</b>
Net cash inflow from operating activities	5,139	14,224	4,333	9,568
Net cash outflow from investing activities	(2,644)	(3,947)	(2,644)	(3,947)
Net increase in cash generated by the business operation	2,495	10,277	1,689	5,621

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 35 Earnings per share

##### (a) Basic earnings per share

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

	The Group		The Bank	
	2019	2018	2019	2018
Net profit from continuing operations (RM'000)	456,510	14,890	490,977	13,415
Net profit from discontinued operation (RM'000)	(5,411)	6,911	(6,323)	2,575
	<u>451,099</u>	<u>21,801</u>	<u>484,654</u>	<u>15,990</u>
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic earnings per share from continuing operations (sen)	456.51	14.89	490.98	13.42
Basic earnings per share from discontinued operation (sen)	(5.41)	6.91	(6.32)	2.58
Total basic earnings per share attributable to equity shareholders (sen)	<u>451.10</u>	<u>21.80</u>	<u>484.66</u>	<u>16.00</u>

##### (b) Diluted earnings per share

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

#### 36 Dividends

The Directors have proposed an interim dividend comprising 68 sen per ordinary share, amounting to RM68,000,000 in respect of financial year ended 31 December 2019, which was approved by the Board of Directors in a resolution dated 29 January 2020.

The Directors have approved a special dividend of RM4.00 per ordinary share, amounting to RM400,000,000 in respect of the financial year ended 31 December 2019, which was paid on 26 July 2019.

A single tier interim dividend of RM15.99 per ordinary share, amounting to RM15,990,000 in respect of the financial year ended 31 December 2018, which was approved by the Board of Directors on 28 January 2019, was paid on 28 March 2019.

A single tier interim dividend of 92 sen per ordinary share, amounting to RM92,000,000 in respect of the financial year ended 31 December 2017, which was approved by the Board of Directors on 26 January 2018, was paid on 22 March 2018.

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****37 Amounts due from/(to) related companies**

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

	The Group		The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Amounts due from:				
- subsidiaries	-	-	-	15
- related companies	37,124	2,466	37,124	2,466
- ultimate holding company	6,625	279	6,625	279
	<u>43,749</u>	<u>2,745</u>	<u>43,749</u>	<u>2,760</u>
Amounts due to:				
- related companies	(22,454)	(14,568)	(22,425)	(14,568)
	<u>(22,454)</u>	<u>(14,568)</u>	<u>(22,425)</u>	<u>(14,568)</u>

**38 Significant related party transactions and balances****(a) Related parties and relationship**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence.

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

<u>Related parties</u>	<u>Relationship</u>
CIMB Group Holdings Berhad ("CIMB Group")	Ultimate holding company
CIMB Group Sdn. Bhd. ("CIMBG")	Immediate holding company
CIMB Berhad	Subsidiary of ultimate holding company
Subsidiaries of CIMB Group and CIMBG as disclosed in their Financial Statements	Subsidiaries of ultimate holding and immediate holding companies
Subsidiaries of the Bank as disclosed in Note 11	Subsidiaries
Associates of the Bank as disclosed in Note 12	Associates
Touch 'N Go Sdn. Bhd.	Subsidiary of ultimate holding company
Key management personnel	Refer to below

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****38 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 Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank include all the Directors of the Bank and employees of the Bank who make certain critical decisions in relation to the strategic direction of the Bank.

**(b) Related party transactions**

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at normal commercial rates.

	Ultimate holding company RM'000	Immediate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>The Group and the Bank 2019</b>				
<b>Income:</b>				
Fee income	6,240	-	105,693	-
Interest income	-	-	4,071	-
Interest income for financial assets at fair value through profit or loss	-	-	103	-
Commission income	-	-	7,494	-
Rental income	-	-	3,930	-
Income from asset management and securities services	443	-	789	-
Net Income from Islamic Banking operations	-	-	(5,667)	-
	<u>6,683</u>	<u>-</u>	<u>116,413</u>	<u>-</u>
<b>Expenditure:</b>				
Interest expense	-	-	2,814	-
Brokerage expense	-	-	10,109	-
Establishment - others	-	-	371	-
Service expenses	-	-	37,335	-
Dividend paid	-	415,990	-	-
	<u>-</u>	<u>415,990</u>	<u>50,629</u>	<u>-</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****38 Significant related party transactions and balances (Continued)****(b) Related party transactions (continued)**

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at normal commercial rates. (continued)

The Group and the Bank 2018	Immediate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
Income:			
Fee income	-	2,900	-
Interest income	-	2,953	2
Interest income for financial assets at fair value through profit or loss	-	98	-
Commission income	-	3,036	28
Rental income	-	3,930	-
Income from asset management and securities services	-	210	-
Income from Islamic Banking operations	-	9,524	-
	<u>-</u>	<u>22,651</u>	<u>30</u>
Expenditure:			
Interest expense	-	4,223	-
Brokerage expense	-	8,053	-
Rental expense	-	5,790	-
Establishment - others	-	843	-
Service expenses	-	1,752	-
Shared services cost	-	(33,178)	-
Dividend paid	92,000	-	-
	<u>92,000</u>	<u>(12,517)</u>	<u>-</u>

The breakdown of expenditure by geographical is as follows:

		2019					
		The Group and the Bank					
	Interest expense RM'000	Brokerage expense RM'000	Establishment - others RM'000	Service expenses RM'000	Shared services cost RM'000	Dividend paid RM'000	
Malaysia	2,370	-	-	31,826	-	415,990	
Singapore	444	10,109	371	5,509	-	-	
	<u>2,814</u>	<u>10,109</u>	<u>371</u>	<u>37,335</u>	<u>-</u>	<u>415,990</u>	
		2018					
		The Group and the Bank					
	Interest expense RM'000	Brokerage expense RM'000	Rental expense RM'000	Establishment - others RM'000	Service expenses RM'000	Shared services cost RM'000	Dividend paid RM'000
Malaysia	4,222	-	5,790	3	1,752	(33,178)	92,000
Singapore	1	8,053	-	840	-	-	-
	<u>4,223</u>	<u>8,053</u>	<u>5,790</u>	<u>843</u>	<u>1,752</u>	<u>(33,178)</u>	<u>92,000</u>



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

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

##### (c) Related party balances

	Immediate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>The Group and the Bank 31 December 2019</b>			
<b>Amount due from:</b>			
Cash and balances with banks and other financial institutions	-	87,816	-
Money at call and deposit placements maturing within one month	-	47,804	-
Financial investments at fair value through profit or loss	-	562	-
Other assets	-	7,079	-
	<u>-</u>	<u>143,261</u>	<u>-</u>
	<b>Immediate</b>		
	<b>holding</b>	<b>Other related</b>	<b>Key management</b>
	<b>company</b>	<b>companies</b>	<b>personnel</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group and the Bank 31 December 2019</b>			
<b>Amount due to:</b>			
Deposits and placements of banks and other financial institutions	-	683	-
Other liabilities	-	6,117	-
	<u>-</u>	<u>6,800</u>	<u>-</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

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

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

The Group and the Bank 31 December 2018	Immediate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>Amount due from:</b>			
Cash and balances with banks and other financial institutions	-	62,573	-
Money at call and deposit placements maturing within one month	-	53,835	-
Financial investments at fair value through profit or loss	-	4,266	-
Other assets	-	138,658	-
Amounts due from brokers	-	43,619	-
	<u>-</u>	<u>302,951</u>	<u>-</u>
The Group and the Bank 31 December 2018	Immediate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>Amount due to:</b>			
Deposits and placements of banks and other financial institutions	-	120,637	-
Amounts due to brokers	-	59,733	-
Other liabilities	-	452	-
	<u>-</u>	<u>180,822</u>	<u>-</u>
Principal Equity related contracts: Equity options	-	135,513	-

##### (d) Key management personnel

###### Key management compensation

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and other employee benefits #	<u>92,991</u>	<u>105,864</u>	<u>45,374</u>	<u>46,971</u>
Shares of ultimate holding company	<u>Unit 4,649,670</u>	<u>Unit 3,675,568</u>	<u>Unit 1,337,987</u>	<u>Unit 892,250</u>

# includes compensation paid by other related companies

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

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

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

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

	<b>The Group</b>	
	<b>31 December 2019</b>	31 December 2018
	<b>RM'000</b>	RM'000
Outstanding credit exposures with connected parties	45,067	20,642
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	5.9%	1.3%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<u>0.0%</u>	<u>0.0%</u>

##### (f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 23.8% of the issued capital of the ultimate holding company (2018: 26.8%). 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.

The Group and the Bank have collectively, but not individually entered into, significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Lending to government-related entities
- Deposit 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 agreed terms 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.

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 39 Employee benefits

##### Equity Ownership Plan (“EOP”)

The EOP was introduced on 1 April 2011 by CIMB Group where CIMB Group will grant ordinary shares of CIMB Group to selected employees in the Group. Under the EOP, earmarked portions of variable remuneration of selected employees of the Group will be utilised to purchase ordinary shares of CIMB Group from the open market. The purchased shares will be released progressively to the eligible employees at various dates subsequent to the purchase date, subject to continue 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 RM4,494,000 (31 December 2018: RM5,857,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM5.19 per ordinary share (31 December 2018: RM7.07 per ordinary share), based on observable market price.

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

	<b>The Group and the Bank</b>	
	<b>2019</b>	<b>2018</b>
<b>Shares</b>	<b>Unit</b>	<b>Unit</b>
	<b>'000</b>	<b>'000</b>
At 1 January	1,610	1,806
Awarded	580	900
Released	<u>(1,164)</u>	<u>(1,096)</u>
At 31 December	<u><u>1,026</u></u>	<u><u>1,610</u></u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 40 Capital commitments

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

	<b>The Group and the Bank</b>	
	<b>31 December 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Authorised and contracted for	6,877	8,331
Authorised but not contracted for	<u>6,101</u>	<u>5,556</u>
	<u><u>12,978</u></u>	<u><u>13,887</u></u>
 The capital commitments are attributed to:		
- property, plant and equipment	<u>12,978</u>	<u>13,887</u>
	<u><u>12,978</u></u>	<u><u>13,887</u></u>

#### 41 Lease commitments

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

From 1 January 2019, the Group and the Bank has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 14 for details.

	<b>The Group and the Bank</b>	
	<b>31 December 2018 RM'000</b>	
Not later than one year	6,307	
Later than one year and not later than five years	<u>8,767</u>	
	<u><u>15,074</u></u>	

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 42 Commitments and contingencies

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers.

These commitments and contingencies are not secured over the assets of the Group and the Bank, except for certain financial assets at fair value through profit or loss 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 or principal amount of the commitments and contingencies constitute the following:

	<b>The Group and the Bank</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>Principal RM'000</b>	<b>Principal RM'000</b>
<b><u>Credit-related</u></b>		
Obligations under underwriting agreement	-	250,000
	-	250,000
<b><u>Treasury-related</u></b>		
Interest rate related contracts:		
- Five years and above	-	131,300
Equity related contracts:		
- Less than one year	-	271,026
Credit related contracts:		
- Five years and above	-	262,600
	-	664,926
	-	914,926

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **43 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 Executive Committee as its chief operating decision-maker.

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

#### **Business segment reporting**

##### Definition of segments

The Group is organized into major business segments which form the basis on which the Group reports its segment information:

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

*Treasury & Markets* - Treasury focuses on treasury activities and services which include foreign exchange, money market and derivatives.

*Asset Management & Securities Services* - Asset Management & Securities Services offer a full suite of wealth management solutions and trust services.

*Equities* - Equity provide broking services to corporate, institutional and retail clients. This segment has been classified as discontinued operation in 2018. During the financial year, the Bank has completed the sale of cash equities business.

*Support & Others* - Support and others comprise middle and back office processes and other non-core services.

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****43 Segment reporting (Continued)**

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

	Continuing operations				Total continuing operations RM'000	Discontinued operation	
	Investment Banking RM'000	Treasury & Markets RM'000	Asset Management & Securities Services RM'000	Support and others RM'000		Equities RM'000	Total RM'000
<b>The Group 2019</b>							
External net interest income	-	6,170	-	-	6,170	5,978	12,148
Non-interest income	69,235	27,201	517,467	4,005	617,908	51,658	669,566
Income from Islamic Banking operations	8,535	15,940	5,124	-	29,599	795	30,394
	<u>77,770</u>	<u>49,311</u>	<u>522,591</u>	<u>4,005</u>	<u>653,677</u>	<u>58,431</u>	<u>712,108</u>
Overheads	(75,889)	(24,755)	(104,147)	(2,001)	(206,792)	(63,772)	(270,564)
<i>of which :</i>							
<i>Depreciation of property, plant and equipment</i>	(871)	(435)	(5,262)	(67)	(6,635)	(779)	(7,414)
<i>Depreciation of investment property</i>	-	-	(515)	-	(515)	-	(515)
Profit/(loss) before expected credit losses	1,881	24,556	418,444	2,004	446,885	(5,341)	441,544
Expected credit losses written back/(made) on trade receivables	747	(281)	36	-	502	220	722
Segment results	<u>2,628</u>	<u>24,275</u>	<u>418,480</u>	<u>2,004</u>	<u>447,387</u>	<u>(5,121)</u>	<u>442,266</u>
Share of results of associates					175	-	175
					<u>447,562</u>	<u>(5,121)</u>	<u>442,441</u>
Taxation					8,948	(290)	8,658
<b>Profit after taxation</b>					<u>456,510</u>	<u>(5,411)</u>	<u>451,099</u>
Segment assets	16,528	688,286	47,240	38,699	790,753	-	790,753
Unallocated assets							86,835
<b>Total assets</b>							<u>877,588</u>
Segment liabilities	22,801	110,542	58,143	14,271	205,757	-	205,757
Unallocated liabilities							22,461
<b>Total liabilities</b>							<u>228,218</u>
<b>Other segment items</b>							
Capital expenditure	166	-	12,934	413	13,513	2,644	16,157



**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****43 Segment reporting (Continued)**

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

	Continuing operations				Discontinued operation		
	Investment Banking RM'000	Treasury & Markets RM'000	Asset Management & Securities Services RM'000	Support and others RM'000	Total RM'000	Equity related RM'000	Total RM'000
<b>The Group 2018</b>							
External net interest (expense)/income	-	(2,924)	-	3,989	1,065	12,103	13,168
Non-interest income	18,082	11,322	40,949	7,602	77,955	116,367	194,322
Income from Islamic Banking operations	833	27,251	4,845	-	32,929	2,726	35,655
	18,915	35,649	45,794	11,591	111,949	131,196	243,145
Overheads	(35,287)	(28,812)	(16,096)	(6,132)	(86,327)	(121,127)	(207,454)
<i>of which :</i>							
<i>Depreciation of property, plant and equipment</i>	(2,286)	(241)	(6,400)	(2,813)	(11,740)	(2,234)	(13,974)
<i>Depreciation of investment property</i>	-	-	(515)	-	(515)	-	(515)
(Loss)/profit before expected credit losses	(16,372)	6,837	29,698	5,459	25,622	10,069	35,691
Expected credit losses written back/(made) on loans, advances and financing	-	-	98	(120)	(22)	-	(22)
Expected credit losses written back/(made) on trade receivables	487	(765)	487	2	211	1,110	1,321
Segment results	(15,885)	6,072	30,283	5,341	25,811	11,179	36,990
Share of results of associates					442	-	442
					26,253	11,179	37,432
Taxation					(11,363)	(4,268)	(15,631)
<b>Profit after taxation</b>					<b>14,890</b>	<b>6,911</b>	<b>21,801</b>
Segment assets	7,458	970,778	16,626	580,040	1,574,902	74,288	1,649,190
Unallocated assets							35,854
<b>Total assets</b>							<b>1,685,044</b>
Segment liabilities	4,185	523,379	33,486	417,202	978,252	76,866	1,055,118
Unallocated liabilities							14,594
<b>Total liabilities</b>							<b>1,069,712</b>
<b>Other segment items</b>							
Capital expenditure	37	2	1,855	662	2,556	3,947	6,503

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **44 Significant events during the financial year**

##### **Disposal of equity business of the Bank and equity interest in CIMB Futures Sdn Bhd**

During the financial year, the Bank has completed the sale of its cash equities business including its 100% equity interest in CIMB Futures Sdn Bhd to CGS-CIMB Securities Sdn Bhd (previously known as Jupiter Securities Sdn Bhd). CGS-CIMB Securities Sdn Bhd is the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia. On 9 May 2019, the high court of Malaya has granted the necessary court orders for the proposed Business Transfer which has been effective on 1 July 2019. The consideration for the disposal amounts to RM434,982,000.

#### **45 Capital adequacy**

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

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

The capital adequacy ratios are computed as follows:

The capital adequacy framework applicable is based on the BNM Capital Adequacy Framework ("CAF") ("Capital Components") and Capital Adequacy Framework for Islamic Banks ("CAFIB") ("Capital Components") of which the latest revisions were issued on 2 February 2018. The revised guidelines took effect on 1 January 2018. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III. The risk-weighted assets of the Bank are computed in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and CAFIB (Basel II – Risk Weighted Assets) of which the latest revisions were issued on 3 May 2019.

The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach.

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 45 Capital adequacy (Continued)

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

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<b>Before deducting proposed dividend</b>				
Common Equity Tier 1 ratio	69.095%	31.110%	70.335%	32.466%
Tier 1 ratio	69.095%	31.110%	70.335%	32.466%
Total capital ratio	69.095%	31.110%	70.335%	32.466%
<b>After deducting proposed dividend</b>				
Common Equity Tier 1 ratio	61.549%	30.254%	62.633%	31.502%
Tier 1 ratio	61.549%	30.254%	62.633%	31.502%
Total capital ratio	61.549%	30.254%	62.633%	31.502%

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

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Credit risk	341,536	898,080	341,675	709,148
Market risk	4,925	397,868	4,925	397,443
Operational risk	554,745	573,431	536,302	551,313
Total risk-weighted assets	<u>901,206</u>	<u>1,869,379</u>	<u>882,902</u>	<u>1,657,904</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****45 Capital adequacy (Continued)**

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

	The Group		The Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<b><u>Common Equity Tier 1 capital</u></b>				
Ordinary share capital	100,000	100,000	100,000	100,000
Other reserves	549,360	515,322	538,446	470,580
Less : Proposed dividends	(68,000)	(15,990)	(68,000)	(15,990)
Common Equity Tier 1 capital before regulatory adjustments	581,360	599,332	570,446	554,590
<b><u>Less : Regulatory adjustments</u></b>				
Goodwill	-	(964)	-	-
Deferred tax assets	(16,895)	(19,239)	(16,895)	(19,074)
Deduction in excess of Tier II Capital	(450)	(4,251)	(450)	(4,251)
Investments in capital instruments of unconsolidated financial and insurance/ takaful entities	(9,212)	(9,311)	-	(9,000)
Regulatory reserve	(116)	-	(116)	-
<b>Common Equity Tier 1 capital after regulatory adjustments/ total Tier 1 capital</b>	<b>554,687</b>	<b>565,567</b>	<b>552,985</b>	<b>522,265</b>
<b><u>Tier II Capital</u></b>				
Redeemable Preference Shares	3	4	3	4
General provisions	116	-	116	-
Tier II capital before regulatory adjustments	119	4	119	4
<b><u>Less : Regulatory adjustments</u></b>				
Investments in capital instruments of unconsolidated financial and insurance/ takaful entities	(569)	(4,255)	(569)	(4,255)
<b>Total Tier II capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital base</b>	<b>554,687</b>	<b>565,567</b>	<b>552,985</b>	<b>522,265</b>

*NI The excess of deductions over available Tier II capital was deducted under Common Equity Tier I capital.*

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **46 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) Expected credit loss allowance on financial assets at amortised cost and FVOCI*

The expected credit loss allowance for financial assets at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss
- Establishing the number and relative weightings of forward-looking scenarios for each type of product or market and the associated expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss.

*(b) Goodwill impairment*

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

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

##### *(b) Goodwill impairment (Continued)*

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 16 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

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

##### *(c) Fair value of financial instruments*

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 49.4.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **47 Non-current assets and liabilities held for sale**

##### In prior year

On 6 September 2017, CIMB Group Sdn Bhd has signed a conditional Share Purchase Agreement to acquire 100% equity interest in CGS-CIMB Securities Sdn Bhd (previously known as Jupiter Securities Sdn Bhd) for a cash consideration of RM55 million (“Proposed Acquisition”). The proposed acquisition is in connection with the proposed partnership with China Galaxy International Financial Holdings Limited (“CGI”), wherein Jupiter Securities shall be the platform for the partnership’s operations in Malaysia.

On 2 April 2018, The Securities Commission has approved the Proposed Acquisition and the proposed sale of CIMBG's Malaysia cash equities business including the sale of 100% equity interest in CIMB Futures Sdn Bhd to Jupiter Securities. On 10 August 2018, CIMB Group announced that approval from BNM has been received. On 28 September 2018, the Proposed Acquisition of CGS-CIMB Securities Sdn Bhd has been completed.

On 18 December 2018, CIMBG, CGI and CGS-CIMB Holdings Sdn Bhd (the “Malaysia JV Entity”) have signed a Share Subscription Agreement for the subscription of new shares in the Malaysia JV Entity (“Proposed MY Share Subscription”), which shall be the holding company for the Malaysia stockbroking business of the CGS-CIMB joint venture. At completion, CIMBG and CGI will be 50:50 shareholders in the Malaysia JV Entity. The parties will proceed with the necessary process to effect the transfer of the Malaysia stockbroking business of the Bank into Jupiter Securities (“Proposed Business Transfer”). Jupiter Securities is a 100%-owned subsidiary of the Malaysia JV Entity and will be the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia. The consideration in connection with the Proposed Business Transfer, which was determined based on the future prospects and net asset value of the in-scope business as at 31 December 2015 will be satisfied in cash. The consideration is subject to closing audit adjustments, if any.

##### During the year

On 9 May 2019, CIMBG announced that the High Court of Malaya has granted the necessary court orders for the Proposed Business Transfer with effect from 1 July 2019.

On 28 June 2019, CIMBG announced the completion of the Proposed MY Share Subscription. The proceeds from the subscription will be utilised to satisfy the purchase consideration in connection with the Proposed Business Transfer, which was effective on 1 July 2019. This new JV will be rebranded as “CGS-CIMB Securities” on the effective date.

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 47 Non-current assets and liabilities held for sale (Continued)

The assets and liabilities of the disposal business/group are as follows:

	<b>The Group</b>	<b>The Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>30 June 2019</b>		
<b>Asset classified as held for sale</b>		
Cash and short term funds	40,884	-
Financial investments at fair value through profit or loss	200	200
Other assets	13,982	11,326
Deferred tax assets	192	-
Investment in subsidiary	-	9,000
Property, plant and equipment	7,906	7,571
Goodwill	964	-
	<u>64,128</u>	<u>28,097</u>
<b>Liabilities classified as held for sale</b>		
Other liabilities	61,567	60,070
	<u>61,567</u>	<u>60,070</u>
	<b>The Group</b>	<b>The Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment held for sale comprise the following :		
Cost	36,690	35,488
Accumulated depreciation	(28,784)	(27,917)
	<u>7,906</u>	<u>7,571</u>



## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **47 Non-current assets and liabilities held for sale (Continued)**

##### Disposal during the financial year

The cash flows and net assets of equities business are as follows:

	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>31 December 2019</b>		
Non current assets held for sale	64,128	28,097
Non current liabilities held for sale	<u>(61,567)</u>	<u>(60,070)</u>
Net assets/(liabilities)	2,561	(31,973)
Net gain on disposal of equities business	<u>432,421</u>	<u>466,954</u>
Sales consideration	434,982	434,981
Less: Cash and short term funds of equities business disposed	<u>(40,884)</u>	-
<b>Cash inflow on disposed equities business</b>	<u><u>394,098</u></u>	<u><u>434,981</u></u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 48 Change in accounting policies

Set out below are disclosures relating to the impact of the adoption of MFRS 16 of the Group and the Bank. Further details of the specific MFRS 16 accounting policies applied in current financial year are described in more detail in section A and N of the Summary of Significant Group Accounting Policies.

- (i) Reconciliation of the carrying amount in the Group's and the Bank's Statement of Financial Position to MFRS 16 as at 1 January 2019:

	<b>The Group and the Bank</b>			
	<b>Effects of adopting MFRS 16</b>			
	<b>Audited as at</b>	<b>Effects of Adopting</b>		<b>Adjusted</b>
<b>31 December</b>	<b>Modified</b>	<b>Retrospective</b>	<b>Total</b>	<b>1 January</b>
<b>2018</b>	<b>approach</b>	<b>approach</b>	<b>Total</b>	<b>2019</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>				
Right-of-use assets	-	16,376	16,376	16,376
	-	16,376	16,376	16,376
<b>Liabilities</b>				
Lease liabilities	-	16,376	16,376	16,376
	-	16,376	16,376	16,376

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**48 Change in accounting policies (Continued)**

Set out below are disclosures relating to the impact of the adoption of MFRS 16 of the Group and the Bank. Further details of the specific MFRS 16 accounting policies applied in current financial year are described in more detail in section A and N of the Summary of Significant Group Accounting Policies. (Continued)

- (ii) Reconciliation between the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	Premise RM '000	The Group and the Bank Equipment RM '000	Total RM '000
Operating lease commitments disclosed as at 31 December 2018:			
Not later than one year	6,272	35	6,307
Later than one year and not later than five years	8,763	4	8,767
Operating lease commitments disclosed as at 31 Dec 2018	15,035	39	15,074
Discounted using the incremental borrowing rate	14,600	39	14,639
(Less): short-term leases recognised on a straight-line basis as expense	(4,543)	-	(4,543)
(Less): contracts reassessed as service agreements	(2,394)	(39)	(2,433)
Add: adjustments as a result of a different treatment of extension and termination options	8,713	-	8,713
Lease liability recognised as at 1 January 2019	16,376	-	16,376

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

### 49 Financial Risk Management

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

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

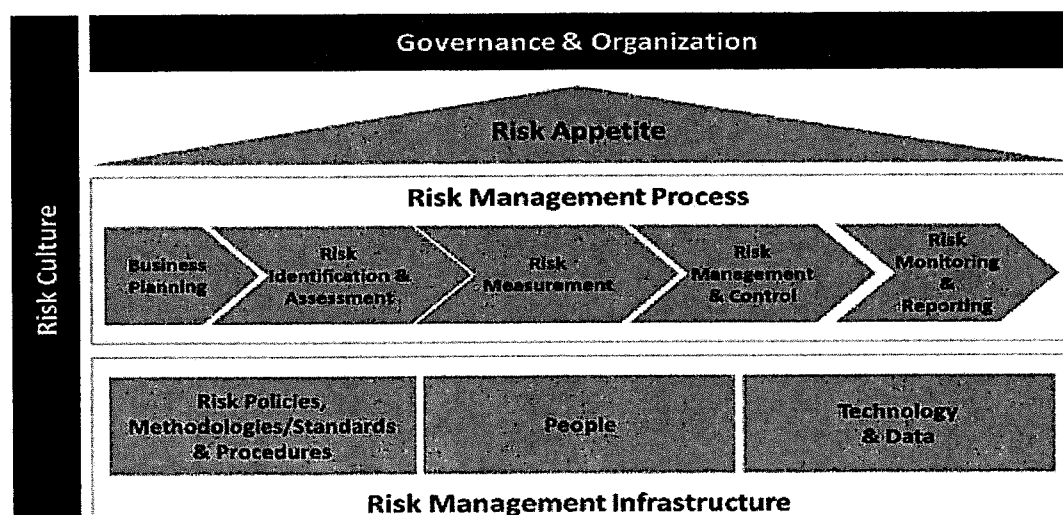
Generally, the objectives of the Group’s risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholder’s value through sound risk management framework.

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

The Group employs a Group EWRM framework as a standardised approach to effectively manage its risk and opportunities. The Group EWRM framework provides the Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, external environment and/ or regulatory environment.

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



## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **(b) Enterprise Wide Risk Management Framework (“EWRM”) (Continued)**

The design of the Group EWRM framework involves a complementary ‘top-down strategic’ and ‘bottom-up tactical’ risk management approach.

The key features of the Group EWRM framework include:

i) **Risk Culture:**

The Group embraces risk management as an integral part of its culture and decision-making processes. The Group’s risk management philosophy is embodied in the Three Lines of Defence approach, whereby risks are initially managed at the point of risk-taking activities. There is clear accountability of risk ownership across the Group.

ii) **Governance & Organisation:**

A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group’s strategic directions, which is supported by the risk appetite and relevant risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group’s risk management framework is effectively maintained.

iii) **Risk Appetite:**

It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **(b) Enterprise Wide Risk Management Framework (“EWRM”) (Continued)**

##### **(iv) Risk Management Process:**

- **Business Planning:** Risk management is central to the business planning process, including setting framework for risk appetite, risk posture and new product/new business activities
- **Risk Identification & Assessment:** Risks are systematically identified and assessed through the robust application of the Group’s risk policies, methodologies/standards and procedures.
- **Risk Measurement:** Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- **Risk Management and Control:** Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- **Risk monitoring and Reporting:** Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group’s risk appetite.

##### **(v) Risk Management Infrastructure**

- **Risk Policies, Methodologies/Standards and Procedures addressing all areas of material risks:** Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.
- **People:** Attracting the right talent and skills is key to ensuring a well-functioning Group EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- **Technology and Data:** Appropriate technology and sound data management support risk management activities.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **(c) Risk Governance**

At the apex of the governance structure are the respective Boards, which decides on the entity's risk appetite corresponding to its business strategies. Each Board Risk and Compliance Committee ("BRCC") reports directly into the respective Boards and assumes responsibility on behalf of the respective Boards for the supervision of risk management and control activities. Each BRCC determines the Group's risk strategies and policies, keeping them aligned with the principles within the risk appetite. The BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of the Group Risk and Compliance Committee ("GRCC").

To facilitate the effective implementation of the Group EWRM framework, BRCC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of supervising risk management functions is delegated to the GRCC comprised of senior management of the Group and reports directly to the BRCC. GRCC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. GRCC is supported by specialised risk committees, namely Group Credit Committee ("GCC"), Group Market Risk Committee ("GMRC"), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee ("GALMC") and Group Asset Quality Committee ("GAQC"), each addressing one or more of the following:

- (i) Market risk, arising from fluctuations in the market value of the trading or investment exposure due to changes in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- (ii) Credit risk, arising from the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **(c) Risk Governance (Continued)**

The responsibility of the supervising risk management functions is delegated to the GRCC comprised of senior management of the Group and reports directly to the BRCC. GRCC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. GRCC is supported by specialised risk committees, namely Group Credit Committee (“GCC”), Group Market Risk Committee (“GMRC”), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee (“GALMC”) and Group Asset Quality Committee (“GAQC”), each addressing one or more of the following: (Continued)

- (iii) Liquidity risk, arising from a bank’s inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;
- (iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;
- (v) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group’s earning and economic value arising from movement in interest rates/profit rates;
- (vi) Capital risk, arising from the failure to meet minimum regulatory and internal requirements which could incur regulatory sanction of the Group, thereby resulting in a potential capital charge; and
- (vii) Shariah Non-Compliance (“SNC”) risk, arising from possible failure to comply with the Shariah requirements as determined by Shariah Advisory Council (“SAC”) of BNM and Securities Commission (“SC”), Board Shariah Committee (“BSC”) of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.



# CIMB Investment Bank Berhad

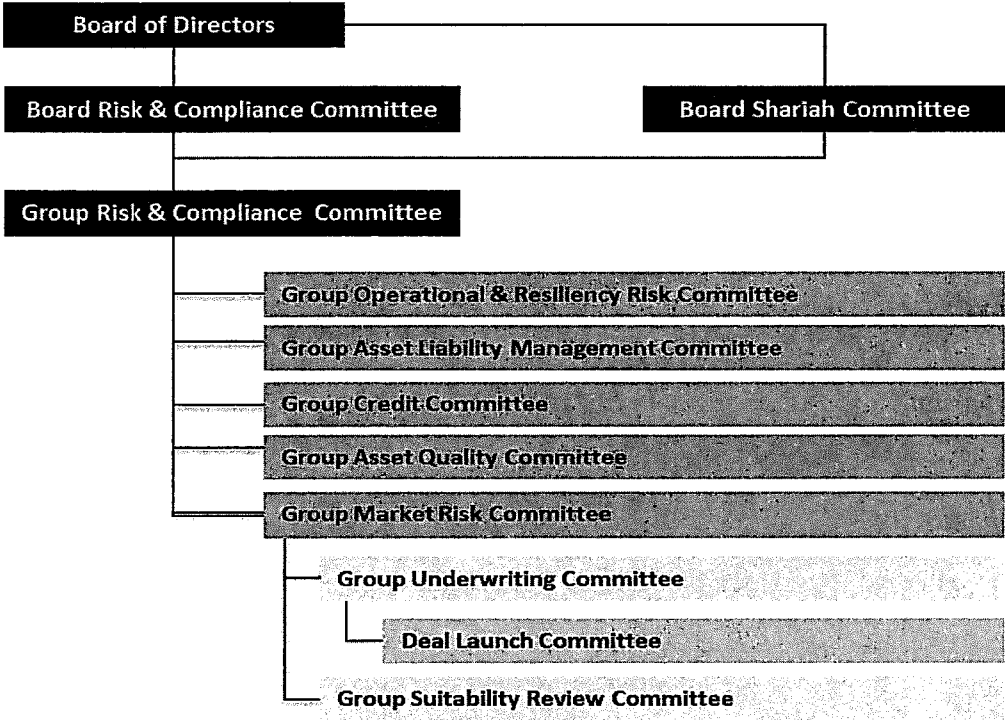
(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

### 49 Financial Risk Management (Continued)

#### (c) Risk Governance (Continued)

The structure of CIMB Group Risk Committees is depicted in the following chart:



The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group 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 as regulators allow. This structure increases regional communication regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus providing the Board with a comprehensive view of the activities within the Group.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **(c) Risk Governance (Continued)**

###### *Three-Lines of Defence*

The Group's risk management culture is embodied through the adoption of the Three-Lines of Defence philosophy whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, the line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight and performs independent monitoring of business activities and reporting to the Board and management to ensure that the Group conducts business and operates within the approved appetite, and is also in compliance with regulations. The third line of defence is Group Corporate Assurance Division who provides independent assurance on the adequacy and effectiveness of the internal controls and risk management process.

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

Within the second line of defence is Group Risk, a function independent of business units. It assists the Group's management and stakeholders in the monitoring and controlling risk exposures within the Board approved risk appetite statement.

Group Risk is headed by the Group CRO, appointed by our Board to lead the Group-wide risk management functions, including implementation of the Group EWRM framework. The Group CRO:

- a) Actively engages the respective boards and senior management on risk management issues; and
- b) Maintains an oversight on risk management functions across all entities within the Group. In each key country of operations, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 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 Group Risk is made of two major components, namely the Chief Risk Officers (“CRO”) and the Risk Centres of Excellence (“CoE”):

##### **(i) CRO**

- CRO’s main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.
- The CRO is supported by the CRO International Offices, who oversee the risk management functions of the regional offices e.g. branches and small overseas banking subsidiaries.
- For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

##### **(ii) Risk Centres of Excellence**

- These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
- The Risk CoEs consist of Risk Analytics, Credit Risk Infrastructure, Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing & Fraud Risk Management), Asset Liability Management and Credit Risk CoEs.

##### **(1) Risk Analytics CoE**

Risk Analytics (RA) CoE ensures the Group’s compliance to regulatory requirements prescribed for IRB Approach and facilitates other Risk CoEs in their respective risk management through Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite and Stress Testing. RA CoE also validates credit risk models and performs non-retail credit risk analytics, asset quality reporting and Single Counterparty Exposure Limit (SCEL) regulatory reporting.

##### **(2) Credit Risk Infrastructure CoE**

The Credit Risk Infrastructure (CRI) CoE implements risk infrastructure of loan decision engine and rating system which encompass credit risk models and lending criteria. The CoE also manages a Risk Data Mart that facilitates Credit Risk, Risk Weighted Asset (RWA) and SCEL reporting and analytics.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 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 Group Risk is made of two major components, namely the Chief Risk Officers (“CRO”) and the Risk Centres of Excellence (“CoE”) (Continued):

##### **(ii) Risk Centres of Excellence (Continued)**

###### **(3) Market Risk CoE**

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value at Risk and market risk capital as well as performing stress testing.

###### **(4) Non-Financial Risk Management CoE**

The Non-Financial Risk Management (NFRM) CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to identify, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line of defence’s execution of the operational risk framework and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

The Shariah Risk Management (“SRM”) unit within the NFRM CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group’s Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

###### **(5) Asset Liability Management CoE**

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and interest rate/rate of return risk in the banking book. It conducts regular stress testing on the Group’s liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 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 Group Risk is made of two major components, namely the Chief Risk Officers (“CRO”) and the Risk Centres of Excellence (“CoE”) (Continued):

##### **(ii) Risk Centres of Excellence (Continued)**

###### **(6) Credit Risk CoE**

The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies and procedures; credit risk models; underwriting; and portfolio analytics.

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 EWRM framework, subject to necessary adjustments required for local regulations.

#### **Strategies and Processes for Various Risk Management**

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

#### **49.1 Credit risk**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit risk (Continued)**

In derivatives, sales and trading activities, credit risk arises from the possibility that the Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

##### **Credit Risk Management**

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, the Group implemented the risk-based delegated authority framework. This framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with Group Risk as a function independent from the business units as the second line of defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units.

The GRCC with the support of GCC, GAQC, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and reviewing policy. It is also responsible for articulating key credit risks and mitigating controls.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit risk (Continued)**

###### **Credit Risk Management (Continued)**

Adherence to and compliance with single customer, country and global counterparty limits, are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures.

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

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

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit risk (Continued)**

###### **Credit Risk Mitigation**

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

###### **i) Collaterals/Securities**

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

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

###### **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.

###### **iii) Netting**

In mitigating the counterparty 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.



## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit risk (Continued)**

##### **Credit Risk Mitigation (Continued)**

- iv) Portfolio diversification for better clarity  
The Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

##### **Credit Risk Measurement**

The measurement of expected credit loss allowance under the MFRS 9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement of the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit risk (Continued)**

###### **Credit Risk Measurement (Continued)**

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk (“SICR”)

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. The Group uses simplified approach on receivables where the entity do not require to track changes in credit risk but instead requires an entity to recognized a loss allowance based on lifetime ECL at each reporting date. The Group applies a provision matrix which uses historical loss experience on its trade receivables and adjust historical loss rate to reflect (i) information about current conditions and (ii) reasonable and supportable forecasts of future economic conditions.

(ii) Measuring ECL - inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit risk (Continued)**

##### **Credit Risk Measurement (Continued)**

##### **(ii) Measuring ECL - inputs, assumptions and estimation techniques (Continued)**

###### Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD.

###### Loss Given Default

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit risk (Continued)**

###### **Credit Risk Measurement (Continued)**

(iii) Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Group has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are sourced from Group's Economics team and external research house.

The Group applies three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

**Base case:** This represents 'most likely outcome' of future economic conditions which is aligned with information used by the Group for other purposes such as budgeting and stress testing.

**Best and Worst case:** This represent the 'upside' and 'downside' outcome of future economic conditions which determined by a combination of statistical analysis and expert credit judgement

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit risk (Continued)**

###### **Credit Risk Measurement (Continued)**

(iii) Forward-looking information incorporated into the ECL models (Continued)

The sensitivity factors used are derived based on expected standard deviation determined for each key economic variables to assess the impact on the ECL of the Group and the Bank.

(iv) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk and Modelling team.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

### **49 Financial Risk Management (Continued)**

#### **49.1 Credit risk (Continued)**

##### **Credit Risk Measurement (Continued)**

###### **Write off policy**

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a receivable is deemed uncollectible, it is written off against the related allowance for impairment. Such receivables are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

###### Modification of receivables

The Group and the Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the receivable is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the receivable is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile.
- Significant extension of the credit term when the receivable is not in financial difficulty.
- Change in the currency the receivable is denominated in.
- Insertion of collateral, other security or credit enhancements that significant affect the credit risk associated with the receivable.

The risk of default of such receivable after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original debt. The Group monitors the subsequent performance of modified assets.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit risk (Continued)**

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

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

i) **Credit Risk Mitigation**

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annex (“CSA”) with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

ii) **Treatment of Rating Downgrade**

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2019 and 31 December 2018 respectively, 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.

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.1 Credit Risk (Continued)

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

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

<b>31 December 2019</b>	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
Credit related commitments and contingencies	<u>-</u>	<u>-</u>
<b>31 December 2018</b>	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
Credit related commitments and contingencies	<u>250,000</u>	<u>250,000</u>

As at 31 December 2019, there is no financial effect of collateral (quantification to the extent to which collateral and other credit enhancements that mitigate credit risk) held for net loans, advances and financing for the Group and the Bank as all loans had been transferred to related company (31 December 2018: 100%). The financial effects of collateral held for the remaining on balance sheet financial assets in 2018 are insignificant.



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.1 Credit Risk (Continued)

##### 49.1.2 Offsetting financial assets and financial liabilities

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

	The Group and the Bank			Related amounts not set off in the Statements of Financial Position		
	Gross amounts of recognised financial assets in the Statements of Financial Position	Gross amounts of recognised financial liabilities set off in the Statements of Financial Position	Net amounts of financial assets presented in the Statements of Financial Position	Financial instruments	Financial collateral	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2019</b>						
<b>Financial assets</b>						
Reverse repurchase agreements	51,024	-	51,024	-	(51,024)	-
<b>Total</b>	<b>51,024</b>	<b>-</b>	<b>51,024</b>	<b>-</b>	<b>(51,024)</b>	<b>-</b>
<b>31 December 2018</b>						
<b>Financial assets</b>						
Derivative financial instruments	5,240	-	5,240	(3,249)	(1,267)	724
<b>Total</b>	<b>5,240</b>	<b>-</b>	<b>5,240</b>	<b>(3,249)</b>	<b>(1,267)</b>	<b>724</b>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.1 Credit Risk (Continued)

##### 49.1.2 Offsetting financial assets and financial liabilities (Continued)

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

	The Group and the Bank			Related amounts not set off in the Statements of Financial Position		
	Gross amounts of recognised financial liabilities in the Statements of Financial Position RM'000	Gross amounts of recognised financial assets set off in the Statements of Financial Position RM'000	Net amounts of financial liabilities presented in the Statements of Financial Position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
<b>31 December 2018</b>						
<b><u>Financial liabilities</u></b>						
Derivative financial instruments	3,249	-	3,249	(2,320)	-	929
<b>Total</b>	<b>3,249</b>	<b>-</b>	<b>3,249</b>	<b>(2,320)</b>	<b>-</b>	<b>929</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.1 Credit Risk (Continued)**

**49.1.3 Concentration of risks of financial assets with credit risk exposure**

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

**(a) Geographical sectors**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2019 and 31 December 2018 are as follows:

31 December 2019	The Group					Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000	
Cash and short term funds	603,218	-	-	10,076	9,691	622,985
Reverse repurchase agreements	51,024	-	-	-	-	51,024
Deposits and placements with banks and other financial institutions	10	-	-	-	-	10
Financial investments at fair value through profit or loss	573	-	-	-	-	573
Other assets	28,988	104	450	534	721	30,797
Amounts due from related companies	43,729	-	-	-	20	43,749
<b>Total credit exposures</b>	<b>727,542</b>	<b>104</b>	<b>450</b>	<b>10,610</b>	<b>10,432</b>	<b>749,138</b>

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.1 Credit Risk (Continued)**

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

##### **(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2019 and 31 December 2018 are as follows: (Continued)

31 December 2018	The Group						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000		
Cash and short term funds	871,348	-	-	9,943	7,787	-	889,078
Deposits and placements with banks and other financial institutions	10	-	-	-	-	10	10
Financial investments at fair value through profit or loss	4,330	-	-	-	-	-	4,330
Derivative financial instruments	5,240	-	-	-	-	-	5,240
Other assets	508,871	2,488	-	26,898	67,636	-	605,893
Amounts due from related companies	1,200	88	-	1,388	69	-	2,745
Credit related commitments and contingencies	250,000	-	-	-	-	-	250,000
<b>Total credit exposures</b>	<b>1,640,999</b>	<b>2,576</b>	<b>-</b>	<b>38,229</b>	<b>75,492</b>	<b>-</b>	<b>1,757,296</b>

Company No: 197401001266 (18417-M)

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.1 Credit Risk (Continued)**

**49.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)**

**(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2019 and 31 December 2018 are as follows:

31 December 2019	The Bank					Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000	
Cash and short term funds	602,255	-	-	10,076	9,691	622,022
Reverse repurchase agreements	51,024	-	-	-	-	51,024
Financial investments at fair value through profit or loss	573	-	-	-	-	573
Other assets	28,176	104	450	534	721	29,985
Amounts due from related companies	43,729	-	-	-	20	43,749
<b>Total credit exposures</b>	<b>725,757</b>	<b>104</b>	<b>450</b>	<b>10,610</b>	<b>10,432</b>	<b>747,353</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.1 Credit Risk (Continued)**

**49.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)**

**(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2019 and 31 December 2018 are as follows: (Continued)

31 December 2018	The Bank						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000		
Cash and short term funds	870,378	-	-	9,943	7,787	888,108	
Financial investments at fair value through profit or loss	4,330	-	-	-	-	4,330	
Derivatives financial instruments	5,240	-	-	-	-	5,240	
Other assets	508,061	2,488	-	26,898	67,636	605,083	
Amounts due from related companies	1,215	88	-	1,388	69	2,760	
Credit related commitments and contingencies	250,000	-	-	-	-	250,000	
<b>Total credit exposures</b>	<b>1,639,224</b>	<b>2,576</b>	<b>-</b>	<b>38,229</b>	<b>75,492</b>	<b>1,755,521</b>	

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.1 Credit Risk (Continued)**

**49.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)**

**(b) Industry sectors**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2019 and 31 December 2018, based on the industry sectors of the counterparty are as follows:

	The Group						Total credit exposures
	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial investments at fair value through profit or loss	Other financial assets *	RM'000	
<b>31 December 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	-	-	-	-	177	177	177
Manufacturing	-	-	-	-	269	269	269
Electricity, gas and water	-	-	-	-	775	775	775
Construction	-	-	-	-	123	123	123
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	577	577	577
Transport, storage and communications	-	-	-	-	1,023	1,023	1,023
Finance, insurance and business services	622,985	51,024	10	573	71,070	745,662	745,662
Education and health	-	-	-	-	532	532	532
	<b>622,985</b>	<b>51,024</b>	<b>10</b>	<b>573</b>	<b>74,546</b>	<b>749,138</b>	<b>749,138</b>

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

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.1 Credit Risk (Continued)

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

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

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2019 and 31 December 2018, based on the industry sectors of the counterparty are as follows: (Continued)

	The Group						
	Cash and short term funds	Deposits and placements with banks and other financial institutions	Financial investments at fair value through profit or loss	Derivative financial instruments	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2018</b>							
Primary agriculture	-	-	-	-	383	-	383
Manufacturing	-	-	-	-	416	-	416
Electricity, gas and water	-	-	-	-	1,696	250,000	251,696
Construction	-	-	-	-	648	-	648
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	9,075	-	9,075
Transport, storage and communications	-	-	-	-	635	-	635
Finance, insurance and business services	889,078	10	4,330	-	348,472	-	1,241,890
Education and health	-	-	-	-	166	-	166
Household	-	-	-	5,240	126,674	-	131,914
Others	-	-	-	-	120,473	-	120,473
	<b>889,078</b>	<b>10</b>	<b>4,330</b>	<b>5,240</b>	<b>608,638</b>	<b>250,000</b>	<b>1,757,296</b>

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



**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.1 Credit Risk (Continued)**

**49.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)**

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

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2019 and 31 December 2018, based on the industry sectors of the counterparty are as follows: (Continued)

	The Bank					Total credit exposures
	Cash and short term funds	Reverse repurchase agreements	Financial investments at fair value through profit or loss	Derivative financial instruments	Other financial assets *	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2019</b>						
Primary agriculture	-	-	-	-	177	177
Manufacturing	-	-	-	-	269	269
Electricity, gas and water	-	-	-	-	775	775
Construction	-	-	-	-	123	123
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	577	577
Transport, storage and communications	-	-	-	-	1,023	1,023
Finance, insurance and business services	622,022	51,024	573	-	70,258	743,877
Education and health	-	-	-	-	532	532
	<b>622,022</b>	<b>51,024</b>	<b>573</b>	<b>-</b>	<b>73,734</b>	<b>747,353</b>

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

Company No: 197401001266 (18417-M)

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.1 Credit Risk (Continued)**

**49.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)**

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

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2019 and 31 December 2018, based on the industry sectors of the counterparty are as follows: (Continued)

	The Bank					
	Cash and short term funds	Financial investments at fair value	Derivative financial instruments	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2018</b>						
Primary agriculture	-	-	-	383	-	383
Manufacturing	-	-	-	416	-	416
Electricity, gas and water	-	-	-	1,696	250,000	251,696
Construction	-	-	-	648	-	648
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	9,075	-	9,075
Transport, storage and communications	-	-	-	635	-	635
Finance, insurance and business services	888,108	4,330	-	347,676	-	1,240,114
Education and health	-	-	-	166	-	166
Household	-	-	5,240	126,674	-	131,914
Others	-	-	-	120,474	-	120,474
	<b>888,108</b>	<b>4,330</b>	<b>5,240</b>	<b>607,843</b>	<b>250,000</b>	<b>1,755,521</b>

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

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.1 Credit Risk (Continued)

##### 49.1.4 Credit quality of financial assets

###### (a) Financial assets using General 3-stage approach

Where expected credit loss model is applied, the credit quality of financial instruments subject to credit risk are assessed by reference to the internal rating system adopted by the Group in 2018, as summarised below:

###### Other financial instruments

Rating classification	Internal rating
Investment Grade (IG)	1 to 6
Non Investment Grade	7 to 13e
Impaired	14

*Other financial instruments includes cash and short-term funds, deposits and placement with banks and other financial institutions, reverse repurchase agreements at amortised cost, amount due from related companies and collateral pledged for derivatives transaction.*

Credit quality description can be summarised as follows:

**Good** – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the 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 of principal and interest.

**Investment Grade** – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

**Non-investment Grade** – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

**No rating** – This includes exposures under the Standardised Approach and those where ratings are not available and portfolio average were applied.

**Impaired** – Refers to the assets that is being impaired.

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.1 Credit Risk (Continued)****49.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance (“ECL”) is recognised.

The Group 2019	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchase or Originated credit- impaired RM'000	Total RM'000
<b>Cash and short-term fund and deposits and placements with banks and other financial institutions</b>					
Investment grade	98,217	-	-	-	98,217
No rating	524,778	-	-	-	524,778
<b>Gross carrying amount</b>	<b>622,995</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>622,995</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>622,995</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>622,995</b>
<b>Reverse repurchase agreements, at amortised cost</b>					
Investment grade	51,024	-	-	-	51,024
<b>Gross carrying amount</b>	<b>51,024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,024</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>51,024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,024</b>
<b>Amounts due from related companies</b>					
No rating	43,749	-	-	-	43,749
<b>Gross carrying amount</b>	<b>43,749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,749</b>
<b>Less: ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>43,749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,749</b>
<b>The Group 2018</b>					
	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchase or Originated credit- impaired RM'000	Total RM'000
<b>Cash and short-term fund and deposits and placements with banks and other financial institutions</b>					
No rating	889,088	-	-	-	889,088
<b>Gross carrying amount</b>	<b>889,088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>889,088</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>889,088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>889,088</b>
<b>Other assets ^</b>					
No rating	132,103	-	-	-	132,103
<b>Gross carrying amount</b>	<b>132,103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,103</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>132,103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,103</b>
<b>Amounts due from related companies</b>					
No rating	2,745	-	-	-	2,745
<b>Gross carrying amount</b>	<b>2,745</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,745</b>
<b>Less: ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>2,745</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,745</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.1 Credit Risk (Continued)****49.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance (“ECL”) is recognised. (Continued)

The Bank 2019	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchase or Originated credit- impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cash and short-term fund and deposits and placements with banks and other financial institutions</b>					
Investment grade	97,257	-	-	-	97,257
No rating	524,765	-	-	-	524,765
<b>Gross carrying amount</b>	<b>622,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>622,022</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>622,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>622,022</b>
<b>Reverse repurchase agreements, at amortised cost</b>					
Investment grade	51,024	-	-	-	51,024
<b>Gross carrying amount</b>	<b>51,024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,024</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>51,024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,024</b>
<b>Amounts due from related companies</b>					
No rating	43,749	-	-	-	43,749
<b>Gross carrying amount</b>	<b>43,749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,749</b>
<b>Less: ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>43,749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,749</b>
<b>The Bank 2018</b>					
	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchase or Originated credit- impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cash and short-term fund and deposits and placements with banks and other financial institutions</b>					
No rating	888,108	-	-	-	888,108
<b>Gross carrying amount</b>	<b>888,108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>888,108</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>888,108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>888,108</b>
<b>Other assets ^</b>					
No rating	132,103	-	-	-	132,103
<b>Gross carrying amount</b>	<b>132,103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,103</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>132,103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,103</b>
<b>Amounts due from related companies</b>					
No rating	2,760	-	-	-	2,760
<b>Gross carrying amount</b>	<b>2,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,760</b>
<b>Less: ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>2,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,760</b>

^ The other assets consist of collateral pledged for derivatives transactions.

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.1 Credit Risk (Continued)

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

##### (b) Financial assets using simplified approach

##### (i) Analysis of other assets by credit rating

The credit quality of other assets are assessed by reference to internal rating system adopted by the Group in 2018. Where internal rating system is not applied, external credit rating by major credit rating agencies will be adopted, as summarised below:

##### The Group and the Bank

Rating classification	Internal rating	External credit rating
Investment Grade (IG)	1 to 6	AAA to BBB-
Non Investment Grade	7 to 14	BB+ and below

Credit quality description can be summarised below:

**Investment Grade** – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

**Non-investment Grade** – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

**No rating** – This includes exposures where ratings are not available and portfolio average were applied.

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.1 Credit Risk (Continued)****49.1.4 Credit quality of financial assets (Continued)****(b) Financial assets using simplified approach (Continued)****(i) Analysis of other assets by credit rating (Continued)**

The following tables are analysis of the credit risk exposure of other assets using simplified approach:

The Group 2019	Investment grade			Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
	Sovereign RM'000	(AAA to BBB-) RM'000	No rating RM'000			
Other assets	-	-	37,632	37,632	(6,835)	30,797
<b>Total</b>	<b>-</b>	<b>-</b>	<b>37,632</b>	<b>37,632</b>	<b>(6,835)</b>	<b>30,797</b>

The Group 2018	Investment grade			Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
	Sovereign RM'000	(AAA to BBB-) RM'000	No rating RM'000			
Other assets	-	8,731	479,889	488,620	(14,830)	473,790
<b>Total</b>	<b>-</b>	<b>8,731</b>	<b>479,889</b>	<b>488,620</b>	<b>(14,830)</b>	<b>473,790</b>

The Bank 2019	Investment grade			Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
	Sovereign RM'000	(AAA to BBB-) RM'000	No rating RM'000			
Other assets	-	-	36,820	36,820	(6,835)	29,985
<b>Total</b>	<b>-</b>	<b>-</b>	<b>36,820</b>	<b>36,820</b>	<b>(6,835)</b>	<b>29,985</b>

The Bank 2018	Investment grade			Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
	Sovereign RM'000	(AAA to BBB-) RM'000	No rating RM'000			
Other assets	-	8,731	479,078	487,809	(14,830)	472,979
<b>Total</b>	<b>-</b>	<b>8,731</b>	<b>479,078</b>	<b>487,809</b>	<b>(14,830)</b>	<b>472,979</b>

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.2 Market Risk**

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

##### **Market Risk Management (“MRM”)**

The Group adopts various measures as part of risk management process. The GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board.

Market Risk CoE is responsible for measuring and controlling the Group’s market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. The usage of market VaR by risk type based on 1-day holding period of the Group’s trading exposures as at financial year are shown in Note 49.2.1.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets’ trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limits adequacy and verifying transaction prices.



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.2 Market Risk (Continued)

##### Market Risk Management (“MRM”) (Continued)

##### *Capital Treatment for Market Risk*

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

##### 49.2.1 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 as below:

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM’000</b>	<b>RM’000</b>
<b>VaR</b>		
Foreign exchange risk	6	230
Interest rate risk	-	6
Equity risk	-	80
<b>Total</b>	<u>6</u>	<u>316</u>
<b>Total shareholders fund (RM’000)</b>	<b>649,370</b>	<b>615,332</b>
<b>Percentage of shareholders funds</b>	<b>0.00%</b>	<b>0.05%</b>
	<b>The Bank</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM’000</b>	<b>RM’000</b>
<b>VaR</b>		
Foreign exchange risk	6	228
Interest rate risk	-	6
Equity risk	-	80
<b>Total</b>	<u>6</u>	<u>314</u>
<b>Total shareholders fund (RM’000)</b>	<b>638,456</b>	<b>570,590</b>
<b>Percentage of shareholders funds</b>	<b>0.00%</b>	<b>0.06%</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.2 Market Risk (Continued)**

**49.2.2 Interest rate risk**

Interest rate risk relates to the potential adverse impact on the net interest income arising from changes in market rates. One of the primary sources of interest rate risk is the repricing mismatches between interest earning assets and interest bearing liabilities. Interest rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk ("EaR").

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

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

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
<b>31 December 2019</b>								
Financial assets								
Cash and short term funds	514,744	-	-	-	-	-	108,261	623,005
Reverse repurchase agreements	-	51,024	-	-	-	-	-	51,024
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	-	10
Financial investments at fair value through profit or loss	-	-	-	-	-	-	-	573
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	844	844
Other assets	-	-	-	-	-	-	-	-
Amounts due from related companies	-	-	-	-	-	-	30,797	30,797
<b>Total financial assets</b>	<b>514,744</b>	<b>51,034</b>	-	-	-	-	<b>183,651</b>	<b>750,002</b>
Financial liabilities								
Trading book	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>573</b>	<b>573</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.2 Market Risk (Continued)**

**49.2.2 Interest rate risk (Continued)**

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

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

	The Group							Total RM'000
	Non-trading book			Trading book				
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000
<b>31 December 2019</b>								
<b>Financial liabilities</b>								
Deposits from customers	10,000	-	-	-	-	-	20	-
Deposits and placements of banks and other financial institutions	90,877	-	-	-	-	-	191	-
Other liabilities	-	-	-	-	-	-	88,197	-
Lease liabilities	-	-	-	-	13,976	-	-	-
Amounts due to related companies	-	-	-	-	-	-	22,454	-
<b>Total financial liabilities</b>	<b>100,877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,976</b>	<b>-</b>	<b>110,862</b>	<b>-</b>
<b>Net interest rate sensitivity gap</b>	<b>413,867</b>	<b>51,034</b>	<b>-</b>	<b>-</b>	<b>(13,976)</b>	<b>-</b>	<b>-</b>	<b>573</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.2 Market Risk (Continued)**

**49.2.2 Interest rate risk (Continued)**

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

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

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
<b>31 December 2018</b>								
<b>Financial assets</b>								
Cash and short term funds	801,784	-	-	-	-	-	87,314	-
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	-	-
Financial investments at fair value through profit or loss	-	-	-	-	-	-	-	6,437
Derivative financial instruments	-	-	-	-	-	-	-	5,240
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	1,117	-
Other assets	-	-	-	-	-	-	605,893	-
Amounts due from related companies	-	-	-	-	-	-	2,745	-
<b>Total financial assets</b>	<b>801,784</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>697,069</b>	<b>11,677</b>
								<b>1,510,540</b>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.2 Market Risk (Continued)

##### 49.2.2 Interest rate risk (Continued)

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

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

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	Non-trading book > 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
31 December 2018								
Financial liabilities								
Deposits from customers	127,611	-	-	-	-	-	138	127,749
Deposits and placements of banks and other financial institutions	240,603	20,000	-	-	-	-	484	261,087
Derivative financial instruments	-	-	-	-	-	-	-	3,249
Other liabilities	-	-	-	-	-	131,300	452,183	583,483
Amounts due to related companies	-	-	-	-	-	-	14,568	14,568
<b>Total financial liabilities</b>	<b>368,214</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131,300</b>	<b>467,373</b>	<b>990,136</b>
<b>Net interest rate sensitivity gap</b>	<b>433,570</b>	<b>(19,990)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(131,300)</b>	<b>8,428</b>	<b>8,428</b>
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	-

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.2 Market Risk (Continued)**

**49.2.2 Interest rate risk (Continued)**

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

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

	The Bank							Total RM'000
	↙	Non-trading book					↘	
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000
<b>31 December 2019</b>								
<b>Financial assets</b>								
Cash and short term funds	513,800	-	-	-	-	-	108,242	-
Reverse repurchase agreements	-	51,024	-	-	-	-	-	-
Financial investments at fair value through profit or loss	-	-	-	-	-	-	-	573
Other assets	-	-	-	-	-	-	29,985	-
Amounts due from related companies	-	-	-	-	-	-	43,749	-
<b>Total financial assets</b>	<b>513,800</b>	<b>51,024</b>	-	-	-	-	<b>181,976</b>	<b>573</b>
								<b>747,373</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.2 Market Risk (Continued)**

**49.2.2 Interest rate risk (Continued)**

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

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

	The Bank							Total RM'000
	← Non-trading book			→				
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000
<b>31 December 2019</b>								
Financial liabilities								
Deposits from customers	10,000	-	-	-	-	-	20	-
Deposits and placements of banks and other financial institutions	90,877	-	-	-	-	-	191	-
Other liabilities	-	-	-	-	-	-	88,190	-
Lease liabilities	-	-	-	-	13,976	-	-	-
Amounts due to related companies	-	-	-	-	-	-	22,425	-
<b>Total financial liabilities</b>	<b>100,877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,976</b>	<b>-</b>	<b>110,826</b>	<b>-</b>
<b>Net interest rate sensitivity gap</b>	<b>412,923</b>	<b>51,024</b>	<b>-</b>	<b>-</b>	<b>(13,976)</b>	<b>-</b>	<b>-</b>	<b>573</b>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.2 Market Risk (Continued)

##### 49.2.2 Interest rate risk (Continued)

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

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

	The Bank							Total RM'000
	Non-trading book							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
<b>31 December 2018</b>								
<b>Financial assets</b>								
Cash and short term funds	800,830	-	-	-	-	-	87,298	-
Financial investments at fair value through profit or loss	-	-	-	-	-	-	-	6,437
Derivative financial instruments	-	-	-	-	-	-	-	5,240
Other assets	-	-	-	-	-	-	605,083	-
Amounts due from related companies	-	-	-	-	-	-	2,760	-
<b>Total financial assets</b>	<b>800,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>695,141</b>	<b>11,677</b>
								<b>1,507,648</b>



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.2 Market Risk (Continued)

##### 49.2.2 Interest rate risk (Continued)

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

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

	The Bank							Total RM'000
	Non-trading book							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
<b>31 December 2018</b>								
Financial liabilities								
Deposits from customers	127,611	-	-	-	-	-	138	-
Deposits and placements of banks and other financial institutions	240,603	20,000	-	-	-	-	484	-
Derivative financial instruments	-	-	-	-	-	-	-	3,249
Other liabilities	-	-	-	-	-	131,300	452,159	-
Amounts due to related companies	-	-	-	-	-	-	14,568	-
Total financial liabilities	368,214	20,000	-	-	-	131,300	467,349	3,249
<b>Net interest rate sensitivity gap</b>	432,616	(20,000)	-	-	-	(131,300)	-	8,428
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	-

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.2 Market Risk (Continued)****49.2.2 Interest rate risk (Continued)****(b) Sensitivity of profit**

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

	<b>The Group</b>			
	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>Increase/(decrease)</b>	<b>Increase/(decrease)</b>	<b>Increase/(decrease)</b>	<b>Increase/(decrease)</b>
	<b>+100 basis point</b>	<b>-100 basis point</b>	<b>+100 basis point</b>	<b>-100 basis point</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to profit (after tax)	4,479	(4,479)	2,260	(2,260)

	<b>The Bank</b>			
	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>Increase/(decrease)</b>	<b>Increase/(decrease)</b>	<b>Increase/(decrease)</b>	<b>Increase/(decrease)</b>
	<b>+100 basis point</b>	<b>-100 basis point</b>	<b>+100 basis point</b>	<b>-100 basis point</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to profit (after tax)	4,465	(4,465)	2,168	(2,168)

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

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

**49.2.3 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.

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.2 Market Risk (Continued)****49.2.3 Foreign exchange risk (Continued)**

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

31 December 2019	The Group							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
<b>Financial assets</b>									
Cash and short term funds	603,091	-	-	10,076	9,295	-	543	19,914	623,005
Reverse repurchase agreements	51,024	-	-	-	-	-	-	-	51,024
Deposits and placements with banks and other financial institutions	10	-	-	-	-	-	-	-	10
Financial investments at fair value through profit or loss	573	-	-	-	-	-	-	-	573
Equity instruments at fair value through other comprehensive income	-	844	-	-	-	-	-	844	844
Other assets	30,010	-	692	-	95	-	-	787	30,797
Amounts due from related companies	43,438	-	-	-	291	-	20	311	43,749
	<b>728,146</b>	<b>844</b>	<b>692</b>	<b>10,076</b>	<b>9,681</b>	<b>-</b>	<b>563</b>	<b>21,856</b>	<b>750,002</b>
<b>Financial liabilities</b>									
Deposits from customers	10,020	-	-	-	-	-	-	-	10,020
Deposits and placements of banks and other financial institutions	90,385	-	-	-	-	-	683	683	91,068
Other liabilities	88,197	-	-	-	-	-	-	-	88,197
Lease liabilities	13,976	-	-	-	-	-	-	-	13,976
Amounts due to related companies	11,828	-	-	10,626	-	-	-	10,626	22,454
	<b>214,406</b>	<b>-</b>	<b>-</b>	<b>10,626</b>	<b>-</b>	<b>-</b>	<b>683</b>	<b>11,309</b>	<b>225,715</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.2 Market Risk (Continued)****49.2.3 Foreign exchange risk (Continued)**

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

31 December 2018	The Group							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
<b>Financial assets</b>									
Cash and short term funds	852,429	-	358	12,736	13,539	-	10,036	36,669	889,098
Deposits and placements with banks and other financial institutions	10	-	-	-	-	-	-	-	10
Financial investments at fair value through profit or loss	4,334	-	6	6	-	-	2,091	2,103	6,437
Derivative financial instruments	5,240	-	-	-	-	-	-	-	5,240
Equity instruments at fair value through other comprehensive income	-	1,117	-	-	-	-	-	1,117	1,117
Other assets	580,724	8,530	78	1,308	10,710	513	4,030	25,169	605,893
Amounts due from related companies	785	88	-	1,388	327	-	157	1,960	2,745
	<u>1,443,522</u>	<u>9,735</u>	<u>442</u>	<u>15,438</u>	<u>24,576</u>	<u>513</u>	<u>16,314</u>	<u>67,018</u>	<u>1,510,540</u>
<b>Financial liabilities</b>									
Deposits from customers	127,749	-	-	-	-	-	-	-	127,749
Deposits and placements of banks and other financial institutions	260,484	-	-	-	-	-	603	603	261,087
Derivatives financial instruments	3,249	-	-	-	-	-	-	-	3,249
Other liabilities	563,674	8,505	75	1,285	6,189	487	3,268	19,809	583,483
Amounts due to related companies	9,334	-	-	5,234	-	-	-	5,234	14,568
	<u>964,490</u>	<u>8,505</u>	<u>75</u>	<u>6,519</u>	<u>6,189</u>	<u>487</u>	<u>3,871</u>	<u>25,646</u>	<u>990,136</u>
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	-	250,000
	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.2 Market Risk (Continued)****49.2.3 Foreign exchange risk (Continued)**

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

31 December 2019	The Bank							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
<b>Financial assets</b>									
Cash and short term funds	602,128	-	-	10,076	9,295	-	543	19,914	622,042
Reverse repurchase agreements	51,024	-	-	-	-	-	-	-	51,024
Financial investments at fair value through profit or loss	573	-	-	-	-	-	-	-	573
Other assets	29,198	-	692	-	95	-	-	787	29,985
Amounts due from related companies	43,438	-	-	-	291	-	20	311	43,749
	<b>726,361</b>	<b>-</b>	<b>692</b>	<b>10,076</b>	<b>9,681</b>	<b>-</b>	<b>563</b>	<b>21,012</b>	<b>747,373</b>
<b>Financial liabilities</b>									
Deposits from customers	10,020	-	-	-	-	-	-	-	10,020
Deposits and placements of banks and other financial institutions	90,385	-	-	-	-	-	683	683	91,068
Other liabilities	88,190	-	-	-	-	-	-	-	88,190
Lease liabilities	13,976	-	-	-	-	-	-	-	13,976
Amounts due to related companies	11,799	-	-	10,626	-	-	-	10,626	22,425
	<b>214,370</b>	<b>-</b>	<b>-</b>	<b>10,626</b>	<b>-</b>	<b>-</b>	<b>683</b>	<b>11,309</b>	<b>225,679</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.2 Market Risk (Continued)****49.2.3 Foreign exchange risk (Continued)**

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

31 December 2018	The Bank							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
<b>Financial assets</b>									
Cash and short term funds	851,459	-	358	12,736	13,539	-	10,036	36,669	888,128
Financial investments at fair value through profit or loss	4,334	-	6	6	-	-	2,091	2,103	6,437
Derivative financial instruments	5,240	-	-	-	-	-	-	-	5,240
Other assets	579,914	8,530	78	1,308	10,710	513	4,030	25,169	605,083
Amounts due from related companies	800	88	-	1,388	327	-	157	1,960	2,760
	<u>1,441,747</u>	<u>8,618</u>	<u>442</u>	<u>15,438</u>	<u>24,576</u>	<u>513</u>	<u>16,314</u>	<u>65,901</u>	<u>1,507,648</u>
<b>Financial liabilities</b>									
Deposits from customers	127,749	-	-	-	-	-	-	-	127,749
Deposits and placements of banks and other financial institutions	260,484	-	-	-	-	-	603	603	261,087
Derivatives financial instruments	3,249	-	-	-	-	-	-	-	3,249
Other liabilities	563,650	8,505	75	1,285	6,189	487	3,268	19,809	583,459
Amounts due to related companies	9,334	-	-	5,234	-	-	-	5,234	14,568
	<u>964,466</u>	<u>8,505</u>	<u>75</u>	<u>6,519</u>	<u>6,189</u>	<u>487</u>	<u>3,871</u>	<u>25,646</u>	<u>990,112</u>
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	-	250,000
	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.2 Market Risk (Continued)

##### 49.2.3 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:

		<b>The Group and the Bank</b>			
		<b>31 December 2019</b>		<b>31 December 2018</b>	
		<b>Increase/(decrease)</b>		<b>Increase/(decrease)</b>	
		<b>+1%</b>	<b>-1%</b>	<b>+1%</b>	<b>-1%</b>
		<b>appreciation</b>	<b>depreciation</b>	<b>appreciation</b>	<b>depreciation</b>
		<b>in foreign</b>	<b>in foreign</b>	<b>in foreign</b>	<b>in foreign</b>
		<b>currency</b>	<b>currency</b>	<b>currency</b>	<b>currency</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to profit (after tax)		2	(2)	218	(218)

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.

##### 49.3 Liquidity Risk

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

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business-as-usual (BAU) and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand and term deposits. This providing the Group with a stable large funding base. Our Group maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.3 Liquidity Risk (Continued)**

The day-to-day responsibility for liquidity risk management and control is delegated to Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The key liquidity risk metrics comprise of internal liquidity gaps or cashflow maturity profile mismatches under business as usual and stress scenarios, regulatory liquidity coverage ratio (“LCR”) and Net Stable Funding Ratio (“NSFR”) are measured and monitored regularly. LCR is a quantitative regulatory requirement which seeks to ensure that banking institutions hold sufficient high quality liquid assets (“HQLA”) to withstand an acute liquidity stress scenario over a 30-calendar-days horizon. Our Group monitors and reports LCR and NSFR based on the BNM LCR and NSFR Policy Document dated 25 August 2016 and 31 July 2019 respectively. The effective date for NSFR is 1 July 2020. As part of its ordinary course of business, our Group maintains the LCR and NSFR above the regulatory requirements. In addition, liquidity risk stress testing under various scenarios covering bank-specific (idiosyncratic), market-wide and combined crises is performed regularly to identify sources of potential liquidity strain.

In addition to regulatory limits, liquidity risk undertaken by our Group is governed by a set of established liquidity risk limits and appetite. Management Action Triggers (“MATs”) have been established to alert the Management to potential and emerging liquidity pressures. Our Group’s liquidity risk management policy is subjected to periodic review. The assumptions, risk limits and appetite are regularly reviewed in response to regulatory changes, changing business needs and market conditions.

The Asset-Liability Management function, which is responsible for the independent monitoring of our Group’s liquidity risk profile, works closely with Group 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 needs or contingency basis. The Bank has to prudently manage its liquidity position to meet its daily operating needs.

Our Group’s Contingency Funding Plan (CFP) is in place to alert and enable the senior management to act effectively and efficiently during a liquidity or funding crisis and under adverse market conditions. The CFP is subjected to regular testing and review.



# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

### 49 Financial Risk Management (Continued)

#### 49.3 Liquidity risk (Continued)

##### 49.3.1 Contractual maturity of assets and liabilities

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

31 December 2019 Assets	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Group			Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	
Cash and short term funds	623,005	-	-	-	-	-	623,005
Reverse repurchase agreements	-	51,024	-	-	-	-	51,024
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	10
Financial investments at fair value through profit or loss	-	-	-	61	512	-	573
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	844	844
Other assets	38,118	-	-	-	-	-	38,118
Deferred tax assets	-	-	-	-	-	16,895	16,895
Tax recoverable	26,190	-	-	-	-	-	26,190
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	91	91
Investment in associates	-	-	-	-	-	8,370	8,370
Property, plant and equipment	-	-	-	-	-	38,314	38,314
Right-of-use assets	-	-	-	-	13,586	-	13,586
Amounts due from related companies	43,749	-	-	-	-	-	43,749
Investment properties	-	-	-	-	-	16,819	16,819
<b>Total assets</b>	<b>731,062</b>	<b>51,034</b>	-	<b>61</b>	<b>14,098</b>	<b>81,333</b>	<b>877,588</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.3 Liquidity risk (Continued)**

**49.3.1 Contractual maturity of assets and liabilities (Continued)**

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

31 December 2019	The Group						Total RM'000
	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	
<b>Liabilities</b>							
Deposits from customers	10,020	-	-	-	-	-	10,020
Deposits and placements of banks and other financial institutions	91,068	-	-	-	-	-	91,068
Other liabilities	90,700	-	-	-	-	-	90,700
Amounts due to related companies	22,454	-	-	-	-	-	22,454
Lease liabilities	-	-	-	-	13,976	-	13,976
<b>Total liabilities</b>	<b>214,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,976</b>	<b>-</b>	<b>228,218</b>
<b>Net liquidity gap</b>	<b>516,820</b>	<b>51,034</b>	<b>-</b>	<b>61</b>	<b>122</b>	<b>-</b>	<b>81,333</b>

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

### 49 Financial Risk Management (Continued)

#### 49.3 Liquidity risk (Continued)

##### 49.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Group						Total RM'000
	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	
<b>31 December 2018</b>							
<b>Assets</b>							
Cash and short term funds	889,098	-	-	-	-	-	889,098
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	10
Financial investments at fair value through profit or loss	-	-	-	-	4,078	252	6,437
Derivative financial instruments	-	-	-	-	-	5,240	5,240
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,117	1,117
Other assets	615,536	-	-	-	-	-	615,536
Deferred tax assets	-	-	-	-	-	19,074	19,074
Tax recoverable	14,126	-	-	-	-	-	14,126
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	91	91
Investment in associates	-	-	-	-	-	8,195	8,195
Property, plant and equipment	-	-	-	-	-	31,753	31,753
Amounts due from related companies	2,745	-	-	-	-	-	2,745
Investment properties	-	-	-	-	-	17,334	17,334
Non-current assets held for sale	-	-	-	-	-	74,288	74,288
<b>Total assets</b>	<b>1,521,505</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>4,078</b>	<b>5,492</b>	<b>1,685,044</b>

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

### 49 Financial Risk Management (Continued)

#### 49.3 Liquidity risk (Continued)

##### 49.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Group						Total RM'000
	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	
<b>31 December 2018</b>							
<b>Liabilities</b>							
Deposits from customers	127,749	-	-	-	-	-	127,749
Deposits and placements of banks and other financial institutions	241,056	20,031	-	-	-	-	261,087
Derivative financial instruments	-	-	-	-	-	3,249	3,249
Other liabilities	454,893	-	-	-	-	131,300	586,193
Amounts due to related companies	14,568	-	-	-	-	-	14,568
Non-current liabilities held for sale	-	-	-	-	-	76,866	76,866
<b>Total liabilities</b>	<b>838,266</b>	<b>20,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134,549</b>	<b>1,069,712</b>
<b>Net liquidity gap</b>	<b>683,239</b>	<b>(20,021)</b>	<b>-</b>	<b>-</b>	<b>4,078</b>	<b>(129,057)</b>	<b>77,093</b>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.3 Liquidity risk (Continued)

##### 49.3.1 Contractual maturity of assets and liabilities (Continued)

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

31 December 2019 Assets	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Bank			Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	No-specific maturity RM'000	
Cash and short term funds	622,042	-	-	-	-	-	622,042
Reverse repurchase agreements	-	51,024	-	-	-	-	51,024
Financial investments at fair value through profit or loss	-	-	-	61	512	-	573
Other assets	37,306	-	-	-	-	-	37,306
Deferred tax assets	-	-	-	-	-	-	-
Tax recoverable	26,189	-	-	-	-	16,895	16,895
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	91	91
Property, plant and equipment	-	-	-	-	-	50	50
Right-of-use assets	-	-	-	-	-	38,314	38,314
Amounts due from related companies	43,749	-	-	-	13,586	-	13,586
Investment properties	-	-	-	-	-	-	43,749
<b>Total assets</b>	<b>729,286</b>	<b>51,024</b>	<b>-</b>	<b>61</b>	<b>14,098</b>	<b>16,819</b>	<b>866,638</b>

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

### 49 Financial Risk Management (Continued)

#### 49.3 Liquidity risk (Continued)

##### 49.3.1 Contractual maturity of assets and liabilities (Continued)

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

	The Bank						Total RM'000
	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	
<b>31 December 2019</b>							
<b>Liabilities</b>							
Deposits from customers	10,020	-	-	-	-	-	10,020
Deposits and placements of banks and other financial institutions	91,068	-	-	-	-	-	91,068
Other liabilities	90,693	-	-	-	-	-	90,693
Amounts due to related companies	22,425	-	-	-	-	-	22,425
Lease liabilities	-	-	-	-	13,976	-	13,976
<b>Total liabilities</b>	<b>214,206</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,976</b>	<b>-</b>	<b>228,182</b>
<b>Net liquidity gap</b>	<b>515,080</b>	<b>51,024</b>	<b>-</b>	<b>61</b>	<b>122</b>	<b>-</b>	<b>72,169</b>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.3 Liquidity risk (Continued)

##### 49.3.1 Contractual maturity of assets and liabilities (Continued)

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

31 December 2018 Assets	The Bank						Total RM'000
	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	
Cash and short term funds	888,128	-	-	-	-	-	888,128
Financial investments at fair value through profit or loss	-	-	-	-	4,078	2,107	6,437
Derivative financial instruments	-	-	-	-	-	-	-
Other assets	614,726	-	-	-	-	5,240	614,726
Deferred tax asset	-	-	-	-	-	-	-
Tax recoverable	14,125	-	-	-	-	19,074	19,074
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	91	91
Property, plant and equipment	-	-	-	-	-	50	50
Amounts due from related companies	2,760	-	-	-	-	31,753	31,753
Investment properties	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	17,334	17,334
<b>Total assets</b>	<b>1,519,739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,078</b>	<b>99,065</b>	<b>1,628,374</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.3 Liquidity risk (Continued)**

**49.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank						Total RM'000
	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	
<b>31 December 2018</b>							
<b>Liabilities</b>							
Deposits from customers	127,749	-	-	-	-	-	127,749
Deposits and placements of banks and other financial institutions	241,056	20,031	-	-	-	-	261,087
Derivative financial instruments	-	-	-	-	-	3,249	3,249
Other liabilities	454,869	-	-	-	-	131,300	586,169
Amounts due to related companies	14,568	-	-	-	-	-	14,568
Non-current liabilities held for sale	-	-	-	-	-	64,962	64,962
<b>Total liabilities</b>	<b>838,242</b>	<b>20,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134,549</b>	<b>1,057,784</b>
<b>Net liquidity gap</b>	<b>681,497</b>	<b>(20,031)</b>	<b>-</b>	<b>-</b>	<b>4,078</b>	<b>(129,057)</b>	<b>34,103</b>



**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.3 Liquidity risk (Continued)**

**49.3.2 Contractual maturity of financial liabilities on an undiscounted basis**

**Non-derivative financial liabilities**

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

	The Group							Total RM'000
	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	
<b>31 December 2019</b>								
<b>Non-derivative financial liabilities</b>								
Deposits from customers	10,032	-	-	-	-	-	-	10,032
Deposits and placements of banks and other financial institutions	91,173	-	-	-	-	-	-	91,173
Other liabilities	88,197	-	-	-	-	-	-	88,197
Lease liabilities	-	801	801	1,603	12,139	-	-	15,344
Amounts due to related companies	22,454	-	-	-	-	-	-	22,454
	<b>211,856</b>	<b>801</b>	<b>801</b>	<b>1,603</b>	<b>12,139</b>	<b>-</b>	<b>-</b>	<b>227,200</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements**  
**for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.3 Liquidity risk (Continued)**

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

**Non-derivative financial liabilities (Continued)**

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

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Group				Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
<b>31 December 2018</b>								
<b>Non-derivative financial liabilities</b>								
Deposits from customers	128,004	-	-	-	-	-	-	128,004
Deposits and placements of banks and other financial institutions	241,203	20,153	-	-	-	-	-	261,356
Other liabilities	452,183	-	-	-	-	131,300	-	583,483
Amounts due to related companies	14,568	-	-	-	-	-	-	14,568
	<b>835,958</b>	<b>20,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131,300</b>	<b>-</b>	<b>987,411</b>
<b>Commitments and contingencies</b>								
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	250,000
	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.3 Liquidity risk (Continued)**

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

**Non-derivative financial liabilities (Continued)**

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

31 December 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Bank			Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	No-specific maturity RM'000	
Non-derivative financial liabilities							
Deposits from customers	10,032	-	-	-	-	-	10,032
Deposits and placements of banks and other financial institutions	91,173	-	-	-	-	-	91,173
Other liabilities	88,190	-	-	-	-	-	88,190
Lease liabilities	-	801	801	1,603	12,139	-	15,344
Amounts due to related companies	22,425	-	-	-	-	-	22,425
	<b>211,820</b>	<b>801</b>	<b>801</b>	<b>1,603</b>	<b>12,139</b>	<b>-</b>	<b>227,164</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.3 Liquidity risk (Continued)**

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

**Non-derivative financial liabilities (Continued)**

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

	The Bank							Total RM'000
	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	
<b>31 December 2018</b>								
<b>Non-derivative financial liabilities</b>								
Deposits from customers	128,004	-	-	-	-	-	-	128,004
Deposits and placements of banks and other financial institutions	241,203	20,153	-	-	-	-	-	261,356
Other liabilities	452,159	-	-	-	-	131,300	-	583,459
Amounts due to related companies	14,568	-	-	-	-	-	-	14,568
	835,934	20,153	-	-	-	131,300	-	987,387
<b>Commitments and contingencies</b>								
Credit related commitments and contingencies	250,000	-	-	-	-	-	-	250,000
	250,000	-	-	-	-	-	-	250,000

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.3 Liquidity risk (Continued)**

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

**Derivative financial liabilities**

All trading derivatives whether net or gross settled, are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

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

	The Group and the Bank					Total RM'000
	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	
31 December 2019						
Derivative financial liabilities						
Trading derivatives	-	-	-	-	-	-
- Credit related derivatives	-	-	-	-	-	-

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.3 Liquidity risk (Continued)**

**49.3.2 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 that will be settled on a net basis. (Continued)

	The Group and the Bank						Total RM'000
	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	
31 December 2018							
<b>Derivative financial liabilities</b>							
Trading derivatives							
- Credit related derivatives	(3,249)	-	-	-	-	-	(3,249)
	(3,249)	-	-	-	-	-	(3,249)

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.4 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.

##### **49.4.1 Determination of fair value and fair value hierarchy**

The fair value hierarchy has the following levels:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.  |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets and liabilities in active markets; or</li><li>• Quoted prices for identical or similar assets and liabilities in non-active markets; or</li><li>• Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.</li></ul> |
| Level 3 | One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

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

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

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

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

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

### **49 Financial Risk Management (Continued)**

#### **49.4 Fair value estimation (Continued)**

##### **49.4.1 Determination of fair value and fair value hierarchy (Continued)**

The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

##### **Valuation model review and approval**

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



**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.4 Fair value estimation (Continued)**

**49.4.1 Determination of fair value and fair value hierarchy (Continued)**

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

	The Group		The Bank		
	Carrying amount RM'000	Fair Value Level 1 Level 2 Level 3 RM'000	Carrying amount RM'000	Fair Value Level 1 Level 2 Level 3 RM'000	Total RM'000
<b>31 December 2019</b>					
<i>Recurring fair value measurement</i>					
<u>Financial assets</u>					
Financial investments at fair value through profit or loss					
- Unquoted securities	573	- 573 -	573	- 573 -	573
Equity instruments at fair value through other comprehensive income					
- Unquoted securities	844	- - 844	-	- -	-
<b>Total</b>	<b>1,417</b>	<b>- 573 844 1,417</b>	<b>573</b>	<b>- 573 -</b>	<b>573</b>

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.4 Fair value estimation (Continued)**

**49.4.1 Determination of fair value and fair value hierarchy (Continued)**

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

	The Group			The Bank						
	Carrying amount RM'000	Level 1 RM'000	Fair Value Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Fair Value Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2018</b>										
<i>Recurring fair value measurement</i>										
<b>Financial assets</b>										
Financial investments at fair value through profit or loss										
- Quoted securities	2,107	2,107	-	-	2,107	2,107	2,107	-	-	2,107
- Unquoted securities	4,330	-	4,330	-	4,330	4,330	-	4,330	-	4,330
Equity instruments at fair value through other comprehensive income	1,117	-	-	1,117	1,117	-	-	-	-	-
- Unquoted securities	5,240	-	5,240	-	5,240	5,240	-	5,240	-	5,240
Derivative financial instruments	12,794	2,107	9,570	1,117	12,794	11,677	2,107	9,570	-	11,677
- Trading derivatives										
<b>Total</b>										
<i>Recurring fair value measurement</i>										
<b>Financial liabilities</b>										
Derivative financial instruments	3,249	-	3,249	-	3,249	3,249	-	3,249	-	3,249
- Trading derivatives	3,249	-	3,249	-	3,249	3,249	-	3,249	-	3,249
<b>Total</b>										

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 49 Financial Risk Management (Continued)

##### 49.4 Fair value estimation (Continued)

##### 49.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2019 and 31 December 2018 for the Group and the Bank.

	The Group	
	Financial Investments - Equity instruments at fair value through other comprehensive income	
	RM'000	Total RM'000
<b>2019</b>		
At 1 January	1,117	1,117
Total loss recognised in other comprehensive income	(273)	(273)
At 31 December	844	844
	The Group	
	Financial Investments - Equity instruments at fair value through other comprehensive income	
	RM'000	Total RM'000
<b>2018</b>		
At 1 January	-	-
Effect of adopting MFRS 9 on 1 January 2018	821	821
Total gain recognised in other comprehensive income	296	296
At 31 December	1,117	1,117

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

### 49 Financial Risk Management (Continued)

#### 49.4 Fair value estimation (Continued)

##### 49.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2019 and 31 December 2018 for the Group and the Bank. (Continued)

	The Bank	
	Financial Investments - Equity instruments at fair value through other comprehensive income	Total
	RM'000	RM'000
<b>2019</b>		
At 1 January/31 December	-	-
	<hr/> <hr/>	<hr/> <hr/>
	The Bank	
	Financial Investments - Equity instruments at fair value through other comprehensive income	Total
	RM'000	RM'000
<b>2018</b>		
At 1 January/31 December	-	-
	<hr/> <hr/>	<hr/> <hr/>

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.4 Fair value estimation (Continued)**

##### **49.4.2 Financial instruments not measured at fair value but for which fair value is disclosed**

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

##### **Short term funds and placements with financial institutions**

For short term funds, placements with financial institutions and reverse repurchase agreements with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

##### **Other assets**

The fair value of other assets approximates the carrying value less expected credit losses at the statement of financial position date.

##### **Amounts due (to)/from subsidiaries and related companies**

The estimated fair values of the amounts due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either callable on demand or are based on the current rates for such similar loans.

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.4 Fair value estimation (Continued)**

##### **49.4.2 Financial instruments not measured at fair value but for which fair value is disclosed (Continued)**

The fair values are based on the following methodologies and assumptions (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 interest rates for deposits and placements with similar remaining period to maturities.

##### **Other liabilities**

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

##### **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.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **49 Financial Risk Management (Continued)**

##### **49.4 Fair value estimation (Continued)**

##### **49.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3)**

Certain credit derivatives products where valuation inputs are unobservable are valued using analytic/semi-analytic pricing models that model credit default with other market variables such as foreign exchange (“FX”) rates in a mathematically and theoretically consistent framework. These valuation models are the usual market standard used in credit derivatives pricing.

Credit derivatives inputs deemed to trigger Level 3 classification:

- Correlation between Credit and FX

Actual transactions, where available, are used to regularly recalibrate such unobservable parameters.

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for performing sensitivity analysis to determine such reserves:

- Credit and FX correlation (reserve on a Level 3 input) -
  1. Short Quanto CDS position shocked with larger negative correlation
  2. Long Quanto CDS position shocked with larger positive correlation
- FX Volatility (reserve on a valuation model) -
  1. Long volatility shocked with lower volatility
  2. Short volatility shocked with higher volatility

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations.

These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e. volatility derived from the shares’ historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Higher volatility will result in lower fair value for net short positions.

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.4 Fair value estimation (Continued)**

**49.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)**

**The Group  
31 December 2019**

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	844	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

**31 December 2018**

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	1,117	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value



**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)**

**49 Financial Risk Management (Continued)**

**49.4 Fair value estimation (Continued)**

**49.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)**

**The Bank**

**31 December 2019**

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	-	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

**31 December 2018**

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	-	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.4 Fair value estimation (Continued)****49.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed**

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2019 and 31 December 2018 but for which fair value is disclosed.

	Carrying value RM'000	The Group Fair Value		Total RM'000
		Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	
<b>31 December 2019</b>				
<b>Financial assets</b>				
Cash and short-term funds	623,005	623,005	-	623,005
Reverse repurchase agreements	51,024	-	51,024	51,024
Deposits and placement with banks and other financial institutions	10	-	10	10
Other assets	30,797	-	30,797	30,797
Amounts due from related companies	43,749	-	43,749	43,749
Investment properties	16,819	-	41,000	41,000
Statutory deposits with Bank Negara Malaysia	91	91	-	91
<b>Total</b>	<b>765,495</b>	<b>623,096</b>	<b>166,580</b>	<b>789,676</b>
<b>Financial liabilities</b>				
Deposits from customers	10,020	-	10,020	10,020
Deposits and placements of banks and other financial institutions	91,068	-	91,068	91,068
Other liabilities	88,197	-	88,197	88,197
Amounts due to related companies	22,454	-	22,454	22,454
<b>Total</b>	<b>211,739</b>	<b>-</b>	<b>211,739</b>	<b>211,739</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.4 Fair value estimation (Continued)****49.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2019 and 31 December 2018 but for which fair value is disclosed. (Continued)

	Carrying value RM'000	The Group Fair Value		Total RM'000
		Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	
<b>31 December 2018</b>				
<b>Financial assets</b>				
Cash and short-term funds	889,098	889,098	-	889,098
Deposits and placement with banks and other financial institutions	10	-	10	10
Other assets	605,893	-	605,893	605,893
Amounts due from related companies	2,745	-	2,745	2,745
Investment properties	17,334	-	41,000	41,000
Statutory deposits with Bank Negara Malaysia	91	91	-	91
<b>Total</b>	<b>1,515,171</b>	<b>889,189</b>	<b>649,648</b>	<b>1,538,837</b>
<b>Financial liabilities</b>				
Deposits from customers	127,749	-	127,749	127,749
Deposits and placements of banks and other financial institutions	261,087	-	261,087	261,087
Other liabilities	583,483	-	583,483	583,483
Amounts due to related companies	14,568	-	14,568	14,568
<b>Total</b>	<b>986,887</b>	<b>-</b>	<b>986,887</b>	<b>986,887</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.4 Fair value estimation (Continued)****49.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2019 and 31 December 2018 but for which fair value is disclosed.

	Carrying value	The Bank Fair Value		Total
		Quoted market prices (Level 1)	Observable inputs (Level 2)	
	RM'000	RM'000	RM'000	RM'000
<b>31 December 2019</b>				
<b>Financial assets</b>				
Cash and short-term funds	622,042	622,042	-	622,042
Reverse repurchase agreements	51,024	-	51,024	51,024
Other assets	29,985	-	29,985	29,985
Amounts due from related companies	43,749	-	43,749	43,749
Investment properties	16,819	-	41,000	41,000
Statutory deposits with Bank Negara Malaysia	91	91	-	91
<b>Total</b>	<b>763,710</b>	<b>622,133</b>	<b>165,758</b>	<b>787,891</b>
<b>Financial liabilities</b>				
Deposits from customers	10,020	-	10,020	10,020
Deposits and placements of banks and other financial institutions	91,068	-	91,068	91,068
Other liabilities	88,190	-	88,190	88,190
Amounts due to related companies	22,425	-	22,425	22,425
<b>Total</b>	<b>211,703</b>	<b>-</b>	<b>211,703</b>	<b>211,703</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****49 Financial Risk Management (Continued)****49.4 Fair value estimation (Continued)****49.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2019 and 31 December 2018 but for which fair value is disclosed. (Continued)

	Carrying value RM'000	The Bank Fair Value		Total RM'000
		Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	
<b>31 December 2018</b>				
<b>Financial assets</b>				
Cash and short-term funds	888,128	888,128	-	888,128
Other assets	605,083	-	605,083	605,083
Amounts due from related companies	2,760	-	2,760	2,760
Investment properties	17,334	-	41,000	41,000
Statutory deposits with Bank Negara Malaysia	91	91	-	91
<b>Total</b>	<b>1,513,396</b>	<b>888,219</b>	<b>648,843</b>	<b>1,537,062</b>
<b>Financial liabilities</b>				
Deposits from customers	127,749	-	127,749	127,749
Deposits and placements of banks and other financial institutions	261,087	-	261,087	261,087
Other liabilities	583,459	-	583,459	583,459
Amounts due to related companies	14,568	-	14,568	14,568
<b>Total</b>	<b>986,863</b>	<b>-</b>	<b>986,863</b>	<b>986,863</b>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 50 The operations of Islamic Banking

##### Statements of Financial Position as at 31 December 2019

	Note	The Group and the Bank	
		31 December 2019 RM'000	31 December 2018 RM'000
<b>Assets</b>			
Cash and short term funds	(a)	117,060	308,950
Islamic derivative financial instruments	(b)	-	5,240
Other assets	(c)	2,065	141,191
Tax recoverable		8,547	8,907
Deferred taxation	(d)	185	159
Property, plant and equipment	(e)	3	53
Amounts due from related companies	(f)	255	238
<b>Total assets</b>		<b>128,115</b>	<b>464,738</b>
<b>Liabilities and Islamic Banking capital funds</b>			
Islamic derivative financial instruments	(b)	-	3,249
Other liabilities	(g)	3,966	132,769
Amounts due to related companies	(f)	-	412
		<b>3,966</b>	<b>136,430</b>
Non-current liabilities held for sale	(o)	-	143
<b>Total liabilities</b>		<b>3,966</b>	<b>136,573</b>
Islamic Banking capital funds		55,696	55,696
Reserves		68,453	272,469
<b>Total Islamic Banking capital funds</b>		<b>124,149</b>	<b>328,165</b>
<b>Total liabilities and Islamic Banking capital funds</b>		<b>128,115</b>	<b>464,738</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****50 The operations of Islamic Banking (Continued)****Statements of Income for the financial year ended 31 December 2019**

	Note	The Group and the Bank	
		2019 RM'000	2018 RM'000
Income derived from investment of shareholders' funds	(h)	29,602	32,930
Expected credit losses made on trade receivables		-	(25)
<b>Total attributable income</b>		<b>29,602</b>	<b>32,905</b>
Income attributable to the depositors and others	(i)	(3)	(1)
<b>Total net income</b>		<b>29,599</b>	<b>32,904</b>
Personnel expenses	(j)	(690)	(691)
Other overheads and expenditures	(k)	(11,688)	(14,848)
<b>Profit before taxation from continuing operations</b>		<b>17,221</b>	<b>17,365</b>
Taxation	(l)	(3,987)	(4,508)
Profit from continuing operations		13,234	12,857
Loss from discontinued operation	(n)	(1,260)	(333)
<b>Profit after taxation/total comprehensive income for the financial year</b>		<b>11,974</b>	<b>12,524</b>
<b>Total net income</b>		<b>29,599</b>	<b>32,904</b>
Add : Expected credit losses made on trade receivables		-	25
<b>Income from Islamic Banking operations</b>		<b>29,599</b>	<b>32,929</b>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 50 The operations of Islamic Banking (Continued)

##### Statements of Changes in Equity for the financial year ended 31 December 2019

	Islamic Banking capital fund RM'000	Statutory reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Group and the Bank</b>				
At 1 January 2019	55,696	1,336	271,133	328,165
Net profit for the financial year	-	-	11,974	11,974
Total comprehensive income for the financial year	-	-	11,974	11,974
Interim dividend paid in respect of the financial year ended 31 December 2018	-	-	(15,990)	(15,990)
Special dividend paid in respect of the financial year ended 31 December 2019	-	-	(200,000)	(200,000)
<b>At 31 December 2019</b>	<b>55,696</b>	<b>1,336</b>	<b>67,117</b>	<b>124,149</b>
At 1 January 2018	55,696	1,336	350,609	407,641
Net profit for the financial year	-	-	12,524	12,524
Total comprehensive income for the financial year	-	-	12,524	12,524
Interim dividend paid in respect of the financial year ended 31 December 2017	-	-	(92,000)	(92,000)
<b>At 31 December 2018</b>	<b>55,696</b>	<b>1,336</b>	<b>271,133</b>	<b>328,165</b>



**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****50 The operations of Islamic Banking (Continued)****Statements of Cash Flows for the financial year ended 31 December 2019**

	Note	The Group and the Bank	
		2019 RM'000	2018 RM'000
<b>Cash flows from operating activities</b>			
Profit before taxation from :			
Continuing operations		17,221	17,365
Discontinued operation		(1,260)	(333)
Profit before taxation including discontinued operation		<u>15,961</u>	<u>17,032</u>
Add/(less) adjustments:			
Unrealised foreign exchange gain		(12)	(20)
Gain on disposal of equities business		(177)	-
Expected credit losses made on other receivables		-	25
Unrealised loss on revaluation of Islamic derivative financial instruments		1,991	1,911
Depreciation of property, plant and equipment		50	84
Cash flow from operating profit before changes in operating assets and liabilities		<u>17,813</u>	<u>19,032</u>
<b>(Increase)/decrease in operating assets</b>			
Other assets		138,995	261
Amounts due from related companies		(17)	54
<b>Increase/(decrease) in operating liabilities</b>			
Other liabilities		(128,626)	(24,991)
Amounts due to related companies		(412)	(1)
Cash flow generated from/(used in) operating activities		<u>27,753</u>	<u>(5,645)</u>
Taxation paid		(3,653)	(11,948)
Net cash generated from/(used in) operating activities		<u>24,100</u>	<u>(17,593)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-	(2)
Net cash used in investing activities		<u>-</u>	<u>(2)</u>
<b>Cash flows from financing activities</b>			
Dividends paid		(215,990)	(92,000)
Net cash used in financing activities		<u>(215,990)</u>	<u>(92,000)</u>
<b>Net decrease in cash and cash equivalents during the financial year</b>			
		(191,890)	(109,595)
Cash and cash equivalents at beginning of the financial year		308,950	418,545
Cash and cash equivalents at end of the financial year	(a)	<u>117,060</u>	<u>308,950</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****50 The operations of Islamic Banking (Continued)**

	<b>The Group and the Bank</b>	
	<b>31 December 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>(a) Cash and short term funds</b>		
Cash and balances with banks and other financial	171	993
Money at call and deposit placements maturing within one month	<u>116,889</u>	<u>307,957</u>
	<u><b>117,060</b></u>	<u><b>308,950</b></u>
<b>(b) Islamic derivative financial instruments</b>		

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

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

	<b>Principal amount RM'000</b>	<b>The Group and the Bank Fair values</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>At 31 December 2019</b>			
<b>Trading derivatives</b>			
<u>Islamic profit rate derivatives</u>			
Islamic profit rate swaps	-	-	-
<u>Equity derivatives</u>			
Equity options	-	-	-
<u>Credit related derivatives</u>			
Total return swap	-	-	-
Total derivative assets/(liabilities)	<u>-</u>	<u>-</u>	<u>-</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 50 The operations of Islamic Banking (Continued)

##### (b) Islamic derivative financial instruments (Continued)

	The Group and the Bank		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
<b>At 31 December 2018</b>			
<b>Trading derivatives</b>			
<u>Islamic profit rate derivatives</u>			
Islamic profit rate swaps	131,300	2,379	-
<u>Equity derivatives</u>			
Equity options	271,026	-	-
<u>Credit related derivatives</u>			
Total return swap	262,600	2,861	(3,249)
Total derivative assets/(liabilities)	<u>664,926</u>	<u>5,240</u>	<u>(3,249)</u>

	The Group and the Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
<b>(c) Other assets</b>		
Due from brokers and clients	-	1,382
Other debtors, deposits and prepayments	<u>2,065</u>	<u>139,809</u>
	<u>2,065</u>	<u>141,191</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 50 The operations of Islamic Banking (Continued)

##### (d) Deferred taxation

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

	<b>The Group and the Bank</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred taxation asset (net)	<u>185</u>	<u>159</u>

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

	<b>The Group and the Bank</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Deferred tax assets</b>		
Other temporary differences	119	119
Property, plant and equipment	<u>66</u>	<u>40</u>
	<u>185</u>	<u>159</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 50 The operations of Islamic Banking (Continued)

##### (d) Deferred taxation (Continued)

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

	<b>Accelerated tax depreciation RM'000</b>	<b>Other temporary differences RM'000</b>	<b>Total RM'000</b>
<b>The Group and the Bank</b>			
<u>Deferred tax assets</u>			
At 1 January 2019	40	119	159
Credited to statements of income	26	-	26
At 31 December 2019	<u>66</u>	<u>119</u>	<u>185</u>
	<b>Accelerated tax depreciation RM'000</b>	<b>Other temporary differences RM'000</b>	<b>Total RM'000</b>
<b>The Group and the Bank</b>			
<u>Deferred tax assets</u>			
At 1 January 2018	4	119	123
Credited to statements of income	36	-	36
At 31 December 2018	<u>40</u>	<u>119</u>	<u>159</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****50 The operations of Islamic Banking (Continued)****(e) Property, plant and equipment**

The Group and the Bank	Office equipment and furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
<b>31 December 2019</b>					
<b>Cost</b>					
At 1 January/31 December 2019	231	129	119	216	695
<b>Accumulated depreciation</b>					
At 1 January 2019	214	120	119	189	642
Charge for the financial year	17	6	-	27	50
At 31 December 2019	231	126	119	216	692
<b>Net book value as at 31 December 2019</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>31 December 2018</b>					
<b>Cost</b>					
At 1 January 2018	231	124	119	216	690
Additions	-	5	-	-	5
At 31 December 2018	231	129	119	216	695
<b>Accumulated depreciation</b>					
At 1 January 2018	178	114	119	147	558
Charge for the financial year	36	6	-	42	84
At 31 December 2018	214	120	119	189	642
<b>Net book value as at 31 December 2018</b>	<b>17</b>	<b>9</b>	<b>-</b>	<b>27</b>	<b>53</b>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****50 The operations of Islamic Banking (Continued)**

		<b>The Group and the Bank</b>	
		<b>31 December 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>(f)</b>	<b>Amounts due from/(to) related companies</b>		
	(i) Amounts due from:		
	-Related companies	<u>255</u>	<u>238</u>
	(ii) Amounts due to:		
	-Related companies	<u>-</u>	<u>(412)</u>
<b>(g)</b>	<b>Other liabilities</b>		
	Due to brokers and clients	-	1,074
	Structured deposits	-	131,300
	Other liabilities	<u>3,966</u>	<u>395</u>
		<u><b>3,966</b></u>	<u><b>132,769</b></u>
		<b>The Group and the Bank</b>	
		<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>(h)</b>	<b>Income derived from investment of shareholders' funds</b>		
	<b>Finance income and hibah:</b>		
	Money at call and deposit and placements with financial institutions	7,284	10,781
	<b>Other trading income:</b>		
	Unrealised loss on revaluation of derivatives	<span style="border: 1px solid black;">(1,991)</span>	<span style="border: 1px solid black;">(1,911)</span>
	Net realised gain on derivatives	<span style="border: 1px solid black;">2,021</span>	<span style="border: 1px solid black;">2,292</span>
		30	381
	<b>Fee and commission income:</b>		
	Advisory fees	<span style="border: 1px solid black;">1,180</span>	<span style="border: 1px solid black;">711</span>
	Placement fees	<span style="border: 1px solid black;">6,750</span>	<span style="border: 1px solid black;">568</span>
	Commission	<span style="border: 1px solid black;">5,379</span>	<span style="border: 1px solid black;">755</span>
	Underwriting fees	<span style="border: 1px solid black;">280</span>	<span style="border: 1px solid black;">27</span>
	Others	<span style="border: 1px solid black;">8,501</span>	<span style="border: 1px solid black;">19,524</span>
		<u>22,090</u>	<u>21,585</u>
	<b>Other income:</b>		
	Foreign exchange gain	<span style="border: 1px solid black;">12</span>	<span style="border: 1px solid black;">45</span>
	Gain on disposal of equities business	<span style="border: 1px solid black;">177</span>	<span style="border: 1px solid black;">-</span>
	Others	<span style="border: 1px solid black;">9</span>	<span style="border: 1px solid black;">138</span>
		<u>198</u>	<u>183</u>
		<u><b>29,602</b></u>	<u><b>32,930</b></u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2019 (Continued)****50 The operations of Islamic Banking (Continued)**

		<b>The Group and the Bank</b>	
		<b>2019</b>	<b>2018</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>(i)</b>	<b>Income attributable to depositors and others</b>		
	<b>Deposits and placements of banks and other financial institutions</b>		
	<b>Others</b>		
	- Structured deposits	1	1
	- Non-Mudharabah Fund	2	-
		<u>3</u>	<u>1</u>
<b>(j)</b>	<b>Personnel expenses</b>		
	- Salaries, allowances and bonuses	636	654
	- EPF	40	37
	- Others	14	-
		<u>690</u>	<u>691</u>
<b>(k)</b>	<b>Other overheads and expenditure</b>		
	<b>Establishment expenses</b>		
	- Depreciation of property, plant and equipment	50	84
	- Rental	209	228
	- Others	48	40
		307	352
	<b>Marketing expenses</b>		
	- Others	12	60
	<b>Administration and general expenses</b>		
	- Legal and professional fees	4	-
	- Others	228	290
		232	290
	<b>Shared services cost</b>		
	- Personnel cost	8,224	9,237
	- Establishment cost	287	1,670
	- Marketing expenses	71	584
	- Administration and general expenses	2,555	2,655
		<u>11,137</u>	<u>14,146</u>
	Other overheads and expenditures	<u>11,688</u>	<u>14,848</u>



# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

### 50 The operations of Islamic Banking (Continued)

	The Group and the Bank	
	2019	2018
	RM'000	RM'000
<b>(l) Taxation</b>		
<b>(i) Tax expense for the financial year</b>		
Current year tax		
- Malaysian income tax	4,013	4,544
Deferred tax Note (d)	(26)	(36)
	<u>3,987</u>	<u>4,508</u>
<b>Income tax expense is attributable to :</b>		
Profit from continuing operations	3,987	4,508
Profit from discontinued operation	-	-
	<u>3,987</u>	<u>4,508</u>

**(ii) Numerical reconciliation of income tax expense**

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

	The Group and the Bank	
	2019	2018
	RM'000	RM'000
Profit from continuing operations before taxation	17,221	17,365
Loss from discontinued operation before taxation	(1,260)	(333)
	<u>15,961</u>	<u>17,032</u>
Tax calculated at tax rate of 24%	3,831	4,088
Expenses not deductible for tax purposes	156	420
Tax expense	<u>3,987</u>	<u>4,508</u>

**(m) Sources and uses of charity funds**

	The Group and the Bank	
	2019	2018
	RM'000	RM'000
<b>Sources of charity funds</b>		
Undistributed charity funds as at 1 January	2	1
Gharamah/penalty charges	3	1
	5	2
Disposal of equities business	(5)	-
<b>Undistributed charity funds as at 31 December</b>	<u>-</u>	<u>2</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 50 The operations of Islamic Banking (Continued)

##### (n) Discontinued operation

The Securities Commission has on 2 April 2018 approved the Proposed Acquisition and the proposed sale of CIMBG Malaysia cash equities business including the sale of 100% equity interest in CIMB Futures Sdn Bhd to Jupiter Securities Sdn. Bhd. (“Jupiter Securities”) in connection with the Proposed Partnership with China Galaxy International Financials Holdings Limited (“CGI”). During the financial year, the Bank has completed the sale of its cash equities business.

Profit attributable to the discontinued operation were are follows:

	<b>The Group and the Bank</b>	
	<b>2019</b>	2018
	<b>RM'000</b>	RM'000
Income derived from investment of shareholders' funds	<u>795</u>	<u>2,726</u>
<b>Total attributable income</b>	<b>795</b>	<b>2,726</b>
<b>Total net income</b>	<b>795</b>	<b>2,726</b>
Personnel expenses	<b>(1,518)</b>	<b>(1,784)</b>
Other overheads and expenditures	<b>(537)</b>	<b>(1,275)</b>
<b>Loss before taxation of discontinued operation</b>	<b>(1,260)</b>	<b>(333)</b>
<b>Loss after taxation/total comprehensive expense for the financial year of discontinued operation</b>	<b>(1,260)</b>	<b>(333)</b>
Net cash inflow from operating activities	<u><b>(34)</b></u>	<u>18</u>
Net increase in cash generated by the business operation	<u><b>(34)</b></u>	<u>18</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 50 The operations of Islamic Banking (Continued)

##### (o) Non-current liabilities held for sale

The carrying amounts of the assets are measured in accordance with applicable accounting policies before initial classification of assets as held for sale. Non-current assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost of sell. Refer to Note 47.

The assets and liabilities of the disposal business operation are as follows:

	<b>The Group and the Bank</b>
	RM'000
<b>30 June 2019</b>	
<b>Liabilities and Islamic Banking capital funds</b>	
Other liabilities	177
<b>Total liabilities</b>	<u>177</u>

##### Disposal during the financial year

The cash flows and net assets of Equities business are as follows:

	<b>The Group and the Bank</b>
	RM'000
<b>31 December 2019</b>	
Non current asset held for sale	-
Non current liabilities held for sale	(177)
Net assets	<u>(177)</u>
Net gain on disposal of equities business	177
Sales consideration	-
Less: Cash and short term funds of equities business disposed	<u>-</u>
Cash inflow on disposed equities business	<u>-</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 50 The operations of Islamic Banking (Continued)

##### (p) Related party transactions and balances

##### (i) Related parties and relationships

The related parties of, and their relationship with the Bank, is disclosed in Note 38 (a).

##### (ii) Significant related party transactions and balances

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at normal commercial rates.

	<b>31 December 2019</b>	31 December 2018
	<b>Other related companies RM'000</b>	Other related companies RM'000
<b>The Group and the Bank</b>		
<b>Income:</b>		
Net realised loss on derivatives	(12,377)	(496)
Dividend income	6,710	10,020
	<u>(5,667)</u>	<u>9,524</u>
<b>Expenses:</b>		
Dividend paid	215,990	92,000
	<u>215,990</u>	<u>92,000</u>
<b>The Group and the Bank</b>		
<b>Amounts due from:</b>		
Cash and short term funds	880	930
Other assets	-	132,103
	<u>880</u>	<u>133,033</u>
<b>Principal</b>		
<b>Equity related contracts:</b>		
Equity options	-	135,513
	<u>-</u>	<u>135,513</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)

#### 50 The operations of Islamic Banking (Continued)

##### (q) Capital adequacy ratio

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

	The Group and the Bank	
	31 December 2019	31 December 2018
<b>Before deducting proposed dividend</b>		
Common Equity Tier 1 Ratio	150.216%	126.108%
Tier 1 ratio	150.216%	126.108%
Total capital ratio	150.216%	126.108%
<b>After deducting proposed dividend</b>		
Common Equity Tier 1 Ratio	77.510%	119.960%
Tier 1 ratio	77.510%	119.960%
Total capital ratio	77.510%	119.960%

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

	The Group and the Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Credit risk	2,521	151,485
Market risk	-	7,197
Operational risk	80,003	101,417
Total risk-weighted assets	<u>82,524</u>	<u>260,099</u>

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

	The Group and the Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
<b>Common Equity Tier I capital</b>		
Islamic Banking capital funds	55,696	55,696
Other reserves	68,453	272,469
Less : Proposed dividends	(60,000)	(15,990)
Common Equity Tier I capital / total Tier I Capital	64,149	312,175
<u>Less: Regulatory adjustments</u>		
Deferred Tax Assets	(185)	(159)
Common equity Tier I capital after regulatory adjustments / total Tier I capital	63,964	312,016
Total capital base	<u>63,964</u>	<u>312,016</u>

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2019 (Continued)**

#### **51 Client trust accounts**

As at 31 December 2019, cash held in trust for clients by the Group and the Bank amounted to RM159,983,613 respectively (31 December 2018: RM1,091,145,000 and RM767,297,000). These amounts are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

#### **52 Authorisation for issue of Financial Statements**

The Financial Statements have been authorised for issue in accordance with a resolution of the Board of Directors on 9 March 2020.