

Company No: 13491-P

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Reports and Financial Statements  
for the financial year ended 31 December 2018**

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Reports and Financial Statements for the financial year ended 31 December 2018**

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# CIMB Bank Berhad

(Incorporated in Malaysia)

## Directors' Report for the financial year ended 31 December 2018

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Bank Berhad ("CIMB Bank" or "the Bank") for the financial year ended 31 December 2018.

### Principal activities

The principal activities of the Bank during the financial year are commercial banking and the provision of related financial services, including Islamic banking. The principal activities of the significant subsidiaries as set out in Note 18 to the Financial Statements, consist of Islamic banking, offshore banking, debt factoring, trustees and nominee services, and property ownership and management. There was no significant change in the nature of these activities during the financial year.

### Financial results

	The Group RM'000	The Bank RM'000
Profit after taxation and zakat attributable to:		
- Owners of the Parent	3,946,402	2,846,524
- Non-controlling interests	16,373	-
	<u>3,962,775</u>	<u>2,846,524</u>

### Dividends

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

	RM'000
<b>In respect of the financial year ended 31 December 2017:</b>	
Single tier second interim dividend of 29.40 per ordinary share, paid on 22 March 2018	<u>1,627,553</u>
<b>In respect of the financial year ended 31 December 2018:</b>	
Single tier first interim dividend of 19.80 sen per ordinary share, paid on 28 September 2018	<u>1,140,574</u>

The Directors have proposed a single tier second interim dividend of approximately 19.00 sen per share on 5,978,178,653 ordinary shares, amounting to RM1,136 million in respect of the financial year ended 31 December 2018. The single tier second interim dividend was approved by the Board of Directors in a resolution dated 31 January 2019.

The Directors do not recommend the payment of any final dividend on ordinary shares or Redeemable Preference Shares for the financial year ended 31 December 2018.

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2018 (Continued)**

### **Reserves, provisions and allowances**

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

### **Issuance of shares**

On 29 June 2018, CIMB Bank issued 224.6 million Rights Issue at RM5.69 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM1,278 million.

On 21 December 2018, CIMB Bank issued 217.7 million Rights Issue at RM5.51 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM1,199 million.

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2018 (Continued)**

### **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 of the Bank misleading or inappropriate.

### **Contingent and other liabilities**

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

- (a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

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.

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2018 (Continued)**

### **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 53 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.

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2018 (Continued)**

### **Directors**

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:

#### **Directors**

Dato' Zainal Abidin bin Putih

Puan Rosnah Dato' Kamarul Zaman

Mr. Venkatachalam Krishnakumar

Datin Grace Yeoh Cheng Geok

Dato' Sri Amrin bin Awaluddin

Datuk Mohd Nasir bin Ahmad

Dato' Lee Kok Kwan

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz

Ms. Serena Tan Mei Shwen

Dato' Sri Mohamed Nazir bin Abdul Razak (resigned on 19 October 2018)

Encik Afzal bin Abdul Rahim (resigned on 31 January 2019)

In accordance with Article 108 of the Bank's Constitution, Dato' Sri Amrin bin Awaluddin, Puan Rosnah Dato' Kamarul Zaman and Datin Grace Yeoh Cheng Geok will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election.

Pursuant to the Board Charter of CIMB Bank Berhad, Directors over 70 year of age, upon recommendation of the Group Nomination and Remuneration Committee are required to submit themselves for reappointment by the Board of Directors annually.

**CIMB Bank Berhad**

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**Directors' Report  
for the financial year ended 31 December 2018 (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 Directors who held office at the end of the financial year in the shares, share options and debentures of the ultimate holding company and its related corporation during the financial year are as follows:

	Number of ordinary shares			As at 31 December
	As at 1 January	Acquired/ Granted	Disposed/ Vested	
<b>Ultimate holding company</b>				
<b>CIMB Group Holdings Berhad ("CIMB Group")</b>				
<b>Direct interest</b>				
Dato' Zainal Abidin bin Putih#	127,225	5,124 (b)	-	132,349
Dato' Lee Kok Kwan*	1,298,560	56,856 (b)	-	1,355,416
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	1,544,581	985,978 (a)	(482,681) (d)	2,047,878
Dato' Sri Amrin bin Awaluddin	46,827	2,050 (c)	-	48,877

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

	Number of ordinary shares			As at 31 December
	As at 1 January	Acquired	Disposed	
# Datin Jasmine binti Abdullah Heng	23,411	1,024 (b)	-	24,435
# Mohamad Ari Zulkarnain bin Zainal Abidin	10,157	-	-	10,157
*Datin Rosemary Yvonne Fong	84,930	3,718 (b)	-	88,648

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

(b) Shares acquired by way of the exercise of DRS

(c) Shares acquired from open market and acquired by way of the exercise of DRS

(d) Shares released from EOP account and transferred into Director's account



**CIMB Bank Berhad**

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**Directors' Report****for the financial year ended 31 December 2018 (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 Directors who held office at the end of the financial year in the shares, share options and debentures of the ultimate holding company and its related corporation during the financial year are as follows: (Continued)

	Number of shares held			As at 31 December
	As at 1 January	Granted	Disposed	
<b><u>Related Company - PT Bank CIMB Niaga Tbk</u></b>				
<b>Direct interest</b>				
Dato' Zainal Abidin bin Putih#	18,743	-	-	18,743
Dato' Lee Kok Kwan*	427,305	-	-	427,305
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	60,031	-	-	60,031

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

	Number of shares held			As at 31 December
	As at 1 January	Granted	Disposed	
# Datin Jasmine binti Abdullah Heng	3,430	-	-	3,430
# Mohamad Ari Zulkarnain bin Zainal Abidin	1,590	-	-	1,590
*Datin Rosemary Yvonne Fong	12,445	-	-	12,445

# CIMB Bank Berhad

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## Directors' Report for the financial year ended 31 December 2018 (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 Directors who held offices at the end of the financial year in the shares, share options and debentures of the ultimate holding company and its related corporation during the financial year are as follows: (Continued)

	As at 1 January	Debentures held		As at 31 December
		Acquired	Disposed	
<b><u>Ultimate holding company</u></b>				
<b>CIMB Group Holdings Berhad ("CIMB Group")</b>				
<b>- Perpetual Subordinated Capital Securities</b>				
Dato' Lee Kok Kwan	RM1,000,000	-	-	RM1,000,000
<b><u>Related company - PT Bank CIMB Niaga Tbk</u></b>				
<b>- Subordinated Notes</b>				
Dato' Lee Kok Kwan	IDR5,000,000,000	-	-	IDR5,000,000,000
<b><u>Related company - CIMB-Principal Asset Management Berhad</u></b>				
<b>- Private Equity Fund - CA SEASAF</b>				
Dato' Lee Kok Kwan	RM142,703	-	-	RM142,703

Other than as disclosed above, according to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares, options over shares and debentures of the Bank, the holding company, the ultimate holding company and the Bank's related corporations 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 benefits included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 45 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 corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the Equity Ownership Plan of the ultimate holding company (shown in Note 44 to the Financial Statements) as disclosed in this Report.

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2018 (Continued)**

### **Subsidiaries**

- (a) Details of subsidiaries

Details of subsidiaries are as set out in Note 18 to the Financial Statements.

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

Details of subsidiaries' holding of shares in other related corporations are as set out in Note 18 to the Financial Statements.

### **Auditors' Remuneration**

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

# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2018 (Continued)**

### **2018 Business Plan and Strategy**

The Bank continues to outperform despite another year underpinned by challenges brought about by a slower economy, weakening currency, increased competition, margin erosion, technological disruptions, tighter enforcement and scrutiny of financial institutions by regulators for non-compliance. For the year, the Bank core focus areas were on augmenting digital and big data analytical capabilities; attracting current and saving accounts (“CASA”) and deposits; driving high growth segments; productivity enhancement through process re-engineering and transaction offloading; and emphasis on creating a differentiating customer experience.

With a regional operating model in place, the Bank continues to share best practices; harmonize & align frameworks & processes; optimize cost base through identification of cost saving opportunities, footprint recalibration, transaction offloads to alternate channels & maintaining expense discipline; intensify digital delivery via digital sales enablement; & expand key partnerships with strategic partners to avail new value added products for customers.

The Group registered a profit before taxation and zakat of RM5,061 million for the financial year ended 31 December 2018, RM127 million or 2.6% higher as compared to the profit before taxation of RM4,934 million registered in the previous corresponding year.

During the financial year under review, the Group registered higher income from Islamic banking operations and lower expected credit losses on loans, advances and financing by RM467 million and RM437 million respectively, offset by lower net interest income and non-interest income by RM140 million and RM279 million respectively, and higher overheads by RM278 million.

The two main operating subsidiaries of the Bank are CIMB Islamic Bank Berhad and CIMB Thai Bank Public Company Limited. Their total assets contributed approximately 21.6% (2017: 20.4%) and 10.1% (2017: 8.9%) respectively to CIMB Bank consolidated total assets, and their profit before taxation and zakat contributed approximately 20.4% (2017: 16.5%) and 6.9% (2017: 1.9%) to CIMB Bank's consolidated profit before taxation.

### **Outlook for 2019**

The Bank remains cautious for 2019 in view of the sustained external headwinds, trade tensions and decelerating global economic growth. CIMB Malaysia's performance should track the economy and commodity prices. Prospects for CIMB Singapore will likely be in line with regional economic activity. CIMB Thai's business transformation is expected to bring about an improved performance in 2019.

## CIMB Bank Berhad

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### Directors' Report for the financial year ended 31 December 2018 (Continued)

#### Ratings by External Rating Agencies

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Malaysian Rating Corporation Berhad ("MARC")	November 2018	<ol style="list-style-type: none"> <li>1. Long-term Financial Institution Rating</li> <li>2. Short-term Financial Institution Rating</li> <li>3. RM5.0 billion Subordinated Debt and Junior Sukuk Programmes</li> <li>4. RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme</li> </ol>	AAA MARC-1 AA+/ AA+ <sub>IS</sub> AA+	Stable
RAM Rating Services Berhad ("RAM")	December 2018	<ol style="list-style-type: none"> <li>1. Long-term Financial Institution Rating</li> <li>2. Short-term Financial Institution Rating</li> <li>3. RM10.0 billion Tier II Basel III Compliant Subordinated Debt Programme               <ol style="list-style-type: none"> <li>a. Issuances prior to 1 January 2016 with non-viability events linked to CIMB Bank Berhad</li> <li>b. Issuances on or after 1 January 2016 with non-viability events linked to CIMB Bank Berhad as well as CIMB Group Holdings Berhad and its subsidiaries</li> </ol> </li> <li>4. RM10.0 billion Additional Tier I Capital Securities Programme</li> <li>5. RM20.0 billion Medium Term Notes Programme</li> </ol>	AAA P1 AA <sub>1</sub> AA <sub>2</sub> A <sub>1</sub> AAA	Stable

**CIMB Bank Berhad**

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**Directors' Report  
for the financial year ended 31 December 2018 (Continued)****Ratings by External Rating Agencies (Continued)**

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Moody's Investors Service ("Moody's")	October 2018	<ol style="list-style-type: none"> <li>1. Long-term Foreign Currency Bank Deposits Rating</li> <li>2. Short-term Foreign Currency Bank Deposits Rating</li> <li>3. Long-term Domestic Currency Bank Deposits Rating</li> <li>4. Short-term Domestic Currency Bank Deposits Rating</li> <li>5. USD1.0 billion Multi-Currency Euro Medium Term Notes Programme</li> <li>6. Senior Unsecured</li> <li>7. USD5.0 billion Euro Medium Term Note Programme (Senior Unsecured/ Subordinated)</li> </ol>	<p>A3</p> <p>P-2</p> <p>A3</p> <p>P-2</p> <p>(P)A3</p> <p>A3</p> <p>(P)A3/ (P)Ba1</p>	Stable
Standard & Poor's Ratings Services ("S&P")	December 2018	<ol style="list-style-type: none"> <li>1. Long-term Foreign Currency Rating</li> <li>2. Short-term Foreign Currency Rating</li> <li>3. Long-term Local Currency Rating</li> <li>4. Short-term Local Currency Rating</li> </ol>	<p>A-</p> <p>A-2</p> <p>A-</p> <p>A-2</p>	Stable

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report for the financial year ended 31 December 2018 (Continued)**

### **Board Shariah Committee**

Pursuant to the enterprise wide Shariah governance framework as provided by Bank Negara Malaysia in its Guideline on Shariah Governance for Islamic Financial Institutions and the Islamic Financial Services Act, 2013, the Board of Directors (the "Board") is ultimately responsible and accountable for the oversight and management of Shariah matters in the Bank's Islamic banking and finance operations as well as those Islamic business undertaken under its subsidiaries that it has management control. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group as established under 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 and its subsidiaries that it has management control. The Board Shariah Committee operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

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

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

The members of the Board Shariah Committee are as follows:

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report for the financial year ended 31 December 2018 (Continued)**

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

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

### **Zakat obligations**

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

The obligation and responsibility for specific payment of zakat on depositors fund lies with its Muslim customers only. The aforesaid is subject to the jurisdictional requirements on zakat payment as may be applicable from time to time on the Bank and its subsidiaries arising from changes to local legislation, regulation, law or market convention as the case may be. Accrual of zakat expenses (if any) in the financial statement of the Bank is reflective of this.

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

Significant events during the financial year are disclosed in Note 53 to the Financial Statements.



# **CIMB Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2018 (Continued)**

### **Statement of Directors' Responsibility**

In preparing the Financial Statements, the Directors have ensured that Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), 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 2018 and financial performance of the Group and of the Bank for the financial year ended 31 December 2018.

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

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

The Statement by Directors pursuant to Section 251(2) of the Companies Act, 2016 is set out on page 17 of the Directors' Report.

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## **CIMB Bank Berhad**

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### **Directors' Report for the financial year ended 31 December 2018 (Continued)**

#### **Ultimate holding company**

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

#### **Auditors**

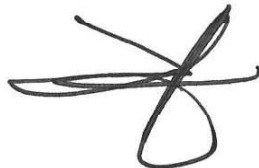
The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

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

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



**Dato' Zainal Abidin bin Putih**  
Director



**Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz**  
Director

Kuala Lumpur  
11 March 2019

Company No: 13491-P

## **CIMB Bank Berhad**

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### **Statement by Directors Pursuant to Section 251(2) of the Companies Act, 2016**

We, Dato' Zainal Abidin bin Putih and Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz, being two of the Directors of CIMB Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 25 to 455 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 and financial performance of the Group and of the Bank for the financial year ended 31 December 2018, in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 2016, in Malaysia.

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



**Dato' Zainal Abidin bin Putih**  
Director



**Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz**  
Director

Kuala Lumpur  
11 March 2019

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

I, Khairulanwar bin Rifaie, being the Officer primarily responsible for the financial management of CIMB Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 25 to 455 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



**Khairulanwar bin Rifaie**

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

Commissioner for Oaths



205, Bangunan Loke Yew  
4, Jln Mahkamah Persekutuan  
50050 Kuala Lumpur (W.P.)

# **CIMB 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 do 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 hereinbefore.

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 statements of financial position are safeguarded against possible Shariah non-compliance; and, that the day to day conduct of its operations does not contradict Shariah principles.

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

## **CIMB 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 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 Group during the financial year ended 31 December 2018 that were presented to us were done in compliance with Shariah; and
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; and
4. The zakat calculation is in compliance with Shariah principles.

## **CIMB Bank Berhad**

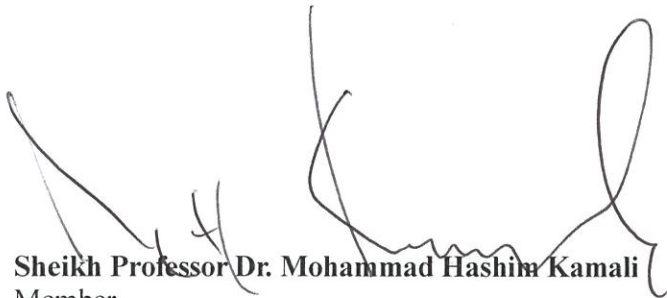
(Incorporated in Malaysia)

### **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 Group for the financial year ended 31 December 2018 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee



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



**Sheikh Associate Professor Dr. Shafaai bin Musa**  
Member

Kuala Lumpur  
11 March 2019



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CIMB BANK BERHAD  
(Incorporated in Malaysia)  
(Company No. 13491-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB 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 2018, and of their financial performance and their cash flows for the 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 2018 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 25 to 455.

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 MEMBERS OF CIMB BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 13491-P)

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 Directors' 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 MEMBERS OF CIMB BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 13491-P)

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 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 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 Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the 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.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CIMB BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 13491-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 18 to the financial statements.

OTHER MATTERS

This report is made solely to the members 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

ONG CHING CHUAN  
02907/11/2019 J  
Chartered Accountant

Kuala Lumpur  
11 March 2019

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Statements of Financial Position  
as at 31 December 2018**

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Assets</b>					
Cash and short-term funds	2(a)	28,593,411	33,341,519	17,428,021	19,642,521
Reverse repurchase agreements	3	11,102,259	6,484,687	10,973,923	5,000,601
Deposits and placements with banks and other financial institutions	2(b)	2,354,294	1,194,205	10,938,420	9,227,427
Financial assets at fair value through profit or loss	4	28,895,987	-	23,014,500	-
Debt instruments at fair value through other comprehensive income	5	26,400,078	-	17,391,402	-
Equity instruments at fair value through other comprehensive income	6	543,694	-	531,599	-
Debt instruments at amortised cost	7	35,784,470	-	27,773,741	-
Financial assets held for trading	8	-	20,410,054	-	15,992,404
Derivative financial instruments	28	8,330,859	8,370,447	5,589,909	6,062,542
Financial investments available-for-sale	9	-	24,604,276	-	20,055,267
Financial investments held-to-maturity	10	-	34,323,102	-	28,698,561
Loans, advances and financing	11	284,469,491	261,788,709	183,056,816	176,897,036
Other assets	12	8,127,375	9,372,677	6,652,809	8,132,565
Tax recoverable		42,632	9,246	-	-
Deferred taxation	13	737,309	333,851	514,806	111,658
Statutory deposits with central banks	14	8,139,073	8,630,364	5,315,286	6,503,641
Amounts due from holding company and ultimate holding company	15	2,361	3,227	2,361	3,227
Amounts due from subsidiaries	16	-	-	5,051	63,827
Amounts due from related companies	17	1,077,762	1,107,017	1,076,218	1,105,782
Investment in subsidiaries	18	-	-	6,531,132	6,002,931
Investment in joint venture	19	171,864	169,688	125,000	125,000
Goodwill	20	5,213,838	5,177,536	3,555,075	3,555,075
Intangible assets	21	1,015,287	1,002,253	867,624	877,706
Prepaid lease payments	22	387	397	-	-
Property, plant and equipment	23	916,543	732,387	582,035	396,628
		<b>451,918,974</b>	<b>417,055,642</b>	<b>321,925,728</b>	<b>308,454,399</b>
Non-current assets/disposal groups held for sale	58	13,775	4,199	9,576	-
<b>Total assets</b>		<b>451,932,749</b>	<b>417,059,841</b>	<b>321,935,304</b>	<b>308,454,399</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Statements of Financial Position  
as at 31 December 2018 (Continued)**

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Liabilities</b>					
Deposits from customers	24	319,242,889	295,900,121	217,572,712	207,442,951
Investment accounts of customers	25	1,769,270	907,763	-	-
Deposits and placements of banks and other financial institutions	26	19,307,856	17,101,949	17,776,291	16,164,109
Repurchase agreements		10,851,842	3,318,517	6,709,187	3,318,517
Financial liabilities designated at fair value through profit or loss	27	5,880,707	4,773,440	1,333,570	1,900,972
Derivative financial instruments	28	8,218,111	8,728,437	5,329,706	6,523,609
Bills and acceptances payable		1,244,944	1,926,089	479,398	1,086,455
Amounts due to subsidiaries	16	-	-	93,917	12,555
Amounts due to related companies	17	2,460	13,267	1,177	10,308
Other liabilities	29	9,121,662	12,003,591	7,954,646	10,430,514
Recourse obligation on loans and financing sold to Cagamas	30	6,007,447	5,195,248	4,091,944	3,122,948
Provision for taxation		407,693	358,462	314,364	300,254
Deferred taxation	13	-	2,639	-	-
Bonds, Sukuk and debentures	31	12,193,530	13,263,385	10,693,327	11,204,948
Other borrowings	32	5,258,491	5,100,684	5,560,100	5,697,728
Subordinated obligations	33	11,298,376	10,361,318	10,399,084	9,533,891
<b>Total liabilities</b>		<b>410,805,278</b>	<b>378,954,910</b>	<b>288,309,423</b>	<b>276,749,759</b>
<b>Equity</b>					
<b>Capital and reserves attributable to</b>					
Ordinary share capital	35	20,088,345	17,610,939	20,088,345	17,610,939
Reserves	37	20,539,127	20,007,741	13,307,796	13,863,961
		40,627,472	37,618,680	33,396,141	31,474,900
Perpetual preference shares	36	200,000	200,000	200,000	200,000
Redeemable preference shares	34	29,740	29,740	29,740	29,740
Non-controlling interests		270,259	256,511	-	-
<b>Total equity</b>		<b>41,127,471</b>	<b>38,104,931</b>	<b>33,625,881</b>	<b>31,704,640</b>
<b>Total equity and liabilities</b>		<b>451,932,749</b>	<b>417,059,841</b>	<b>321,935,304</b>	<b>308,454,399</b>
<b>Commitments and contingencies</b>	51	<b>1,106,170,733</b>	<b>854,570,236</b>	<b>611,671,542</b>	<b>557,231,592</b>
<b>Net assets per ordinary share attributable to owners of the Parent (RM)</b>		<b>6.80</b>	<b>6.80</b>	<b>5.59</b>	<b>5.69</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Statements of Income  
for the financial year ended 31 December 2018**

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income	38(a)	13,378,520	13,259,514	11,759,081	11,489,960
Interest income for financial assets at fair value through profit or loss	38(b)	621,647	-	552,057	-
Interest expense	39	(7,333,806)	(6,452,725)	(6,847,207)	(5,977,959)
Net interest income		6,666,361	6,806,789	5,463,931	5,512,001
Income from Islamic banking operations	59	2,271,341	1,803,933	149,396	169,339
Net non-interest income	40	2,764,967	3,044,226	2,492,261	3,233,164
Net income		11,702,669	11,654,948	8,105,588	8,914,504
Overheads	41	(5,811,296)	(5,533,333)	(4,061,358)	(3,950,275)
Profit before expected credit losses/allowances		5,891,373	6,121,615	4,044,230	4,964,229
Expected credit losses/allowance for impairment losses on loans, advances and financing	42	(721,164)	(1,158,455)	(328,272)	(449,428)
Expected credit losses/allowance (made)/written-back for commitments and contingencies	29(c)	(21,813)	10,364	8,857	(2,222)
Other expected credit losses/allowance made for other impairment losses	43	(89,366)	(44,406)	(84,578)	(37,412)
Profit after expected credit losses/allowances		5,059,030	4,929,118	3,640,237	4,475,167
Share of results of joint venture	19	2,176	4,659	-	-
Profit before taxation and zakat		5,061,206	4,933,777	3,640,237	4,475,167
Taxation and zakat	46	(1,098,431)	(1,042,792)	(793,713)	(834,302)
<b>Profit after taxation and zakat</b>		<b>3,962,775</b>	<b>3,890,985</b>	<b>2,846,524</b>	<b>3,640,865</b>
<b>Profit for the financial year attributable to :</b>					
Owners of the Parent		3,946,402	3,884,409	2,846,524	3,640,865
Non-controlling interests		16,373	6,576	-	-
		<b>3,962,775</b>	<b>3,890,985</b>	<b>2,846,524</b>	<b>3,640,865</b>
<b>Earnings per share attributable to ordinary equity holders of the Parent - basic (sen)</b>	47	<b>69.68</b>	72.88	<b>50.26</b>	68.31

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Statements of Comprehensive Income  
for the financial year ended 31 December 2018**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the financial year	3,962,775	3,890,985	2,846,524	3,640,865
Other comprehensive (expense)/income:				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of post employment benefits obligations	6,996	8,036	-	-
- Actuarial gain on post employment benefits obligations	9,100	10,045	-	-
- Income tax effects	(1,858)	(2,009)	-	-
- Currency translation difference	(246)	-	-	-
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	6,171	-	6,171	-
Equity instruments at fair value through other comprehensive income	48,422	-	51,343	-
- Net gain from change in fair value	69,814	-	72,441	-
- Income tax effects	(19,770)	-	(20,153)	-
- Currency translation difference	(1,622)	-	(945)	-
	61,589	8,036	57,514	-
<b>Items that may be reclassified subsequently to profit or loss</b>				
Revaluation reserve-financial investments available-for-sale	-	308,817	-	256,899
- Net gain from change in fair value	-	426,202	-	344,411
- Realised gain transferred to statement of income on disposal and impairment	-	(76,008)	-	(59,183)
- Income tax effects	-	(45,906)	-	(32,406)
- Currency translation difference	-	4,529	-	4,077
Debt instruments at fair value through other comprehensive income	(81,903)	-	(59,688)	-
- Net loss from change in fair value	(40,345)	-	(26,080)	-
- Realised gain transferred to statement of income on disposal	(35,490)	-	(25,829)	-
- Changes in expected credit losses	(1,900)	-	(3,009)	-
- Income tax effects	(5,149)	-	(5,751)	-
- Currency translation difference	981	-	981	-
Net investment hedge	(74,993)	364,686	(67,000)	335,443
Cash flow hedge	6,302	8,085	331	7,499
- Net gain from change in fair value	7,917	10,882	435	10,078
- Income tax effects	(1,615)	(2,797)	(104)	(2,579)
Exchange fluctuation reserve	266,218	(701,171)	106,064	(521,009)
Deferred hedging cost	47,318	-	46,513	-
	162,942	(19,583)	26,220	78,832
Other comprehensive (expense)/income during the financial year, net of tax	224,531	(11,547)	83,734	78,832
<b>Total comprehensive income for the financial year</b>	<b>4,187,306</b>	<b>3,879,438</b>	<b>2,930,258</b>	<b>3,719,697</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Parent	4,166,562	3,873,983	2,930,258	3,719,697
Non-controlling interests	20,744	5,455	-	-
	4,187,306	3,879,438	2,930,258	3,719,697

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Statements of Changes in Equity for the financial year ended 31 December 2018

The Group	Attributable to owners of the Parent																				Total			
	Fair value reserve																			Perpetual preference shares		Non-controlling interests	Equity	
	Ordinary Share capital	Redeemable Preference Shares	Statutory reserve	Exchange fluctuation reserve	Fair value reserve		Revaluation reserve - investments	Merger deficit	Capital reserve	Hedging reserve	Costs of hedging reserve	Share-based payment reserve	Regulatory reserve	Own credit risk reserve	Defined benefits reserve	Retained earnings	Total	RM'000	RM'000					RM'000
					debt instruments at fair value through other comprehensive income	equity instruments at fair value through other comprehensive income																		
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
At 1 January 2018	17,610,939	29,740	49,941	1,776,264	-	-	500,464	(1,085,928)	735,457	(1,139,101)	-	43,638	1,500,556	-	(17,532)	17,643,982	37,648,420	200,000	256,511	38,104,931				
Effect of adopting MFRS 9 (Note 56)	-	-	-	-	(69,881)	(33,188)	(500,464)	-	-	-	55	-	11,092	(4,212)	-	(283,768)	(880,366)	-	(1,961)	(882,327)				
At 1 January 2018, as restated	17,610,939	29,740	49,941	1,776,264	(69,881)	(33,188)	-	(1,085,928)	735,457	(1,139,101)	55	43,638	1,511,648	(4,212)	(17,532)	17,360,214	36,768,054	200,000	254,550	37,222,604				
Profit for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,946,402	3,946,402	-	16,373	3,962,775				
Other comprehensive (expense)/income (net of tax)	-	-	-	259,420	(79,987)	48,576	-	-	-	(68,691)	47,318	357	-	6,171	6,996	-	220,160	-	4,371	224,531				
- debt instruments at fair value through other comprehensive income	-	-	-	-	(79,987)	-	-	-	-	-	-	-	-	-	-	-	(79,987)	-	(1,916)	(81,903)				
- equity instruments at fair value through other comprehensive income	-	-	-	-	-	48,576	-	-	-	-	-	-	-	-	-	-	48,576	-	(154)	48,422				
- net investment hedge	-	-	-	-	-	-	-	-	(74,993)	-	-	-	-	-	-	-	(74,993)	-	-	(74,993)				
- cash flow hedge	-	-	-	-	-	-	-	-	6,302	-	-	-	-	-	-	-	6,302	-	-	6,302				
- currency translation difference	-	-	-	259,420	-	-	-	-	-	-	-	357	-	-	-	-	259,777	-	6,441	266,218				
- remeasurement of post employment benefits obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	6,996	-	-	6,996	-	-	6,996				
- fair value changes on financial liabilities designated at fair value relating to own credit risk	-	-	-	-	-	-	-	-	-	-	-	-	-	6,171	-	-	6,171	-	-	6,171				
- deferred hedging cost	-	-	-	-	-	-	-	-	-	47,318	-	-	-	-	-	-	47,318	-	-	47,318				
Total comprehensive income/(expense) for the financial year	-	-	-	259,420	(79,987)	48,576	-	-	(68,691)	47,318	357	-	6,171	6,996	3,946,402	4,166,562	-	20,744	4,187,306					
Transfer to statutory reserve	-	-	649	-	-	-	-	-	-	-	-	-	-	-	(649)	-	-	-	-	-				
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	31,328	-	-	(31,328)	-	-	-	-	-				
Second interim dividend for the financial year ended 31 December 2017	48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,627,553)	(1,627,553)	-	-	(1,627,553)				
First interim dividend for the financial year ended 31 December 2018	48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,140,574)	(1,140,574)	-	-	(1,140,574)				
Issue of shares from rights issue	2,477,406	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,477,406	-	-	2,477,406				
Right issues of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,845	1,845				
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,880	6,880	-	-	(6,880)	-				
Share-based payment expense	-	-	-	-	-	-	-	-	-	-	54,065	-	-	-	-	54,065	-	-	-	54,065				
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	-	(47,628)	-	-	-	-	(47,628)	-	-	-	(47,628)				
At 31 December 2018	20,088,345	29,740	50,590	2,035,684	(149,868)	15,388	-	(1,085,928)	735,457	(1,207,792)	47,373	50,432	1,542,976	1,959	(10,536)	18,513,392	40,657,212	200,000	270,259	41,127,471				

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Statements of Changes in Equity for the financial year ended 31 December 2018 (Continued)

The Group	Attributable to owners of the Parent																	Total Equity
	Ordinary		Redeemable	Share premium	Statutory reserve	Exchange fluctuation reserve	Revaluation reserve- financial investments available-for-sale	Merger deficit	Capital reserve	Hedging reserve	Share-based		Defined		Perpetual preference shares	Non-controlling interests	Total	
	Share capital	Preference Shares	Share preference								payment	Regulatory reserve	benefits reserve	Retained earnings				
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2017	5,276,655	29,740	10,910,056	6,762,769	2,472,013	194,776	(1,085,928)	735,457	(1,511,287)	36,496	1,319,524	(25,602)	9,173,950	34,288,619	200,000	403,875	34,892,494	
Profit for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	3,884,409	3,884,409	-	6,576	3,890,985	
Other comprehensive income/(expense) (net of tax)	-	-	-	-	(695,749)	305,688	-	-	372,186	(621)	-	8,070	-	(10,426)	-	(1,121)	(11,547)	
- financial investments available-for-sale	-	-	-	-	-	305,688	-	-	-	-	-	-	-	305,688	-	3,129	308,817	
- net investment hedge	-	-	-	-	-	-	-	-	364,686	-	-	-	-	364,686	-	-	364,686	
- cash flow hedge	-	-	-	-	-	-	-	-	8,085	-	-	-	-	8,085	-	-	8,085	
- currency translation difference	-	-	-	-	(695,749)	-	-	-	(585)	(621)	-	34	-	(696,921)	-	(4,250)	(701,171)	
- remeasurement of post employment benefits obligations	-	-	-	-	-	-	-	-	-	-	-	8,036	-	8,036	-	-	8,036	
Total comprehensive income/(expense) for the financial year	-	-	-	-	(695,749)	305,688	-	-	372,186	(621)	-	8,070	3,884,409	3,873,983	-	5,455	3,879,438	
Transition to no-par value regime on 31 January 2017 *	10,910,056	-	(10,910,056)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer from statutory reserve	37(a)	-	-	(6,712,828)	-	-	-	-	-	-	-	-	6,712,828	-	-	-	-	
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	181,032	-	(181,032)	-	-	-	-	
Second interim dividend for the financial year ended 31 December 2016	48	-	-	-	-	-	-	-	-	-	-	-	(844,265)	(844,265)	-	-	(844,265)	
First interim dividend for the financial year ended 31 December 2017	48	-	-	-	-	-	-	-	-	-	-	-	(1,282,864)	(1,282,864)	-	-	(1,282,864)	
Issue of shares from rights issue	-	1,424,228	-	-	-	-	-	-	-	-	-	-	-	1,424,228	-	-	1,424,228	
Right issues of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,137	28,137	
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	180,956	180,956	-	(180,956)	-	
Share-based payment expense	-	-	-	-	-	-	-	-	-	45,389	-	-	-	45,389	-	-	45,389	
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	(37,626)	-	-	-	(37,626)	-	-	(37,626)	
At 31 December 2017	17,610,939	29,740	-	49,941	1,776,264	500,464	(1,085,928)	735,457	(1,139,101)	43,638	1,500,556	(17,532)	17,643,982	37,648,420	200,000	256,511	38,104,931	

\* The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act, on 31 January 2017 any amount standing to the credit of the Bank's share premium account has become part of the Bank's share capital. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. Refer to Note 35.



# CIMB Bank Berhad

(Incorporated in Malaysia)

## Statements of Changes in Equity for the financial year ended 31 December 2018 (Continued)

The Bank	← Non-distributable → Distributable																
	Fair value reserve															Perpetual preference shares	Total Equity
	Ordinary Share capital	Redeemable Preference Shares	Exchange fluctuation reserve	Fair value reserve debt instruments through other comprehensive income	Fair value reserve equity instruments through other comprehensive income	Revaluation reserve-financial investments available-for-sale	Merger deficit	Capital reserve	Hedging reserve	Costs of hedging reserve	Share-based payment reserve	Regulatory reserve	Own credit risk reserve	Retained earnings	Total		
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2018	17,610,939	29,740	652,165	-	-	501,733	(1,047,872)	746,852	(670,363)	-	38,829	1,208,956	-	12,433,661	31,504,640	200,000	31,704,640
Effect of adopting MFRS 9 (Note 56)	-	-	-	(67,887)	(7,428)	(501,733)	-	-	-	55	-	56,728	(4,212)	(199,930)	(724,407)	-	(724,407)
At 1 January 2018, as restated	17,610,939	29,740	652,165	(67,887)	(7,428)	-	(1,047,872)	746,852	(670,363)	55	38,829	1,265,684	(4,212)	12,233,731	30,780,233	200,000	30,980,233
Profit for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	2,846,524	2,846,524	-	2,846,524
Other comprehensive (expense)/income (net of tax)	-	-	105,904	(59,688)	51,343	-	-	-	(66,669)	46,513	160	-	6,171	-	83,734	-	83,734
- debt instruments at fair value through other comprehensive income	-	-	-	(59,688)	-	-	-	-	-	-	-	-	-	-	(59,688)	-	(59,688)
- equity instruments at fair value through other comprehensive income	-	-	-	-	51,343	-	-	-	-	-	-	-	-	-	51,343	-	51,343
- net investment hedge	-	-	-	-	-	-	-	-	(67,000)	-	-	-	-	-	(67,000)	-	(67,000)
- cash flow hedge	-	-	-	-	-	-	-	-	331	-	-	-	-	-	331	-	331
- currency translation difference	-	-	105,904	-	-	-	-	-	-	-	160	-	-	-	106,064	-	106,064
- fair value changes on financial liabilities designated at fair value relating to own credit risk	-	-	-	-	-	-	-	-	-	-	-	-	6,171	-	6,171	-	6,171
- deferred hedging cost	-	-	-	-	-	-	-	-	-	46,513	-	-	-	-	46,513	-	46,513
Total comprehensive income/(expense) for the financial year	-	-	105,904	(59,688)	51,343	-	-	-	(66,669)	46,513	160	-	6,171	2,846,524	2,930,258	-	2,930,258
Transfer from regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	(68,383)	-	68,383	-	-	-
Second interim dividend for the financial year ended 31 December 2017	48	-	-	-	-	-	-	-	-	-	-	-	-	(1,627,553)	(1,627,553)	-	(1,627,553)
First interim dividend for the financial year ended 31 December 2018	48	-	-	-	-	-	-	-	-	-	-	-	-	(1,140,574)	(1,140,574)	-	(1,140,574)
Issue of shares from rights issue	2,477,406	-	-	-	-	-	-	-	-	-	-	-	-	-	2,477,406	-	2,477,406
Share-based payment expense	-	-	-	-	-	-	-	-	-	-	48,230	-	-	-	48,230	-	48,230
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	-	(42,119)	-	-	-	(42,119)	-	(42,119)
At 31 December 2018	20,088,345	29,740	758,069	(127,575)	43,915	-	(1,047,872)	746,852	(737,032)	46,568	45,100	1,197,301	1,959	12,380,511	33,425,881	200,000	33,625,881

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Statements of Changes in Equity for the financial year ended 31 December 2018 (Continued)

The Bank	Note	Non-distributable											Distributable			
		Ordinary Share capital	Redeemable Preference Shares	Share premium	Statutory reserve	Exchange fluctuation reserve	Revaluation financial investments available-for-sale	Merger deficit	Capital reserve	Hedging reserve	Share-based payment reserve	Regulatory reserve	Retained earnings	Total	Perpetual preference shares	Total Equity
<b>At 1 January 2017</b>		5,276,655	29,740	10,910,056	5,806,237	1,172,667	244,834	(1,047,872)	746,852	(1,013,305)	32,149	1,118,180	5,204,464	28,480,657	200,000	28,680,657
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	3,640,865	3,640,865	-	3,640,865
Other comprehensive income/(expense) (net of tax)		-	-	-	-	(520,502)	256,899	-	-	342,942	(507)	-	-	78,832	-	78,832
- financial investments available-for-sale		-	-	-	-	-	256,899	-	-	-	-	-	-	256,899	-	256,899
- net investment hedge		-	-	-	-	-	-	-	335,443	-	-	-	-	335,443	-	335,443
- cash flow hedge		-	-	-	-	-	-	-	7,499	-	-	-	-	7,499	-	7,499
- currency translation difference		-	-	-	-	(520,502)	-	-	-	-	(507)	-	-	(521,009)	-	(521,009)
Total comprehensive income/(expense) for the financial year		-	-	-	-	(520,502)	256,899	-	-	342,942	(507)	-	3,640,865	3,719,697	-	3,719,697
Transition to no-par value regime on 31 January 2017 *		10,910,056	-	(10,910,056)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	-	-	90,776	(90,776)	-	-	-	-
Transfer from statutory reserve		-	-	-	(5,806,237)	-	-	-	-	-	-	5,806,237	-	-	-	-
Second interim dividend for the financial year ended 31 December 2016	48	-	-	-	-	-	-	-	-	-	-	(844,265)	(844,265)	-	(844,265)	
First interim dividend for the financial year ended 31 December 2017	48	-	-	-	-	-	-	-	-	-	-	(1,282,864)	(1,282,864)	-	(1,282,864)	
Issue of shares from rights issue		1,424,228	-	-	-	-	-	-	-	-	-	-	1,424,228	-	1,424,228	
Share-based payment expense		-	-	-	-	-	-	-	-	39,884	-	-	39,884	-	39,884	
Shares released under Equity Ownership Plan		-	-	-	-	-	-	-	-	(32,697)	-	-	(32,697)	-	(32,697)	
<b>At 31 December 2017</b>		17,610,939	29,740	-	-	652,165	501,733	(1,047,872)	746,852	(670,363)	38,829	1,208,956	12,433,661	31,504,640	200,000	31,704,640

\* The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act, on 31 January 2017 any amount standing to the credit of the Bank's share premium account has become part of the Bank's share capital. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. Refer to Note 35.

**CIMB Bank Berhad**

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**Statements of Cash Flows  
for the financial year ended 31 December 2018**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	5,061,206	4,933,777	3,640,237	4,475,167
Adjustments for:				
Depreciation of property, plant and equipment	174,699	188,910	131,284	144,329
Amortisation of intangible assets	213,020	183,150	188,044	160,392
Amortisation of prepaid lease payments	10	10	-	-
Gain on disposal of property, plant and equipment/ assets held for sale/leased assets	(14,148)	(20,975)	(15,163)	(16,294)
Loss on disposal of foreclosed assets	70,310	42,384	-	-
Property, plant and equipment written off	2,945	6,600	1,930	1,909
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	(28,034)	-	(25,829)	-
Net gain from sale of financial investments available-for-sale	-	(98,380)	-	(84,336)
Net loss from redemption of debt instruments at amortised cost	811	-	811	-
Net gain from redemption of financial investments held-to-maturity	-	(1,878)	-	(1,878)
Net loss from hedging activities	13,543	5,894	9,525	6,221
Unrealised gain from financial assets at fair value through profit or loss	(71,920)	-	(31,592)	-
Unrealised gain from financial assets held for trading	-	(470,920)	-	(451,635)
Unrealised loss from financial liabilities designated at fair value through profit or loss	162,587	205,184	152,180	43,113
Unrealised (gain)/loss from derivative financial instruments	(540,278)	1,022,472	(817,737)	1,203,406
Unrealised loss/(gain) on foreign exchange	198,621	(1,245,822)	120,321	(1,414,573)
Expected credit losses/allowances for impairment losses on loans, advances and financing	1,117,209	1,509,571	530,541	639,681
Allowance for other impairment losses made on securities	-	39,880	-	39,296
Allowances for losses on other receivables made/(written-back)	-	4,526	-	(1,884)
Other expected credit losses	89,366	-	84,578	-
Interest income on financial investments available-for-sale	-	(779,367)	-	(696,573)
Interest income on debt instruments at fair value through other comprehensive income	(784,531)	-	(701,124)	-
Interest income on equity instruments at fair value through other comprehensive income	(21,892)	-	(21,892)	-
Interest income on financial investments held-to-maturity	-	(1,051,044)	-	(1,014,277)
Interest income on debt instruments at amortised cost	(1,100,334)	-	(1,088,565)	-
Interest expense on subordinated obligations	539,544	508,984	507,479	461,329
Interest expense on bonds, Sukuk and debentures	434,414	299,344	394,149	269,454
Interest expense on other borrowings	165,129	113,500	183,648	123,755
Interest expense on recourse obligation on loans and financing sold to Cagamas	140,744	119,156	140,744	119,156
Accretion of discount less amortisation of premium	(122,003)	1,949	(135,921)	(28,061)
Loss on disposal of subsidiaries	47	-	2,127	-
Gain on disposal of associate	-	(43,365)	-	(624,135)
Dividend income	(52,099)	(76,595)	(50,617)	(74,706)
Expected credit losses/allowance (written back)/ made for commitments and contingencies	21,813	(10,364)	(8,857)	2,222
Share-based payment expense	54,065	45,389	48,230	39,884
Share of results of joint venture	(2,176)	(4,659)	-	-
Day 1 MFRS 9 adjustment	(41)	-	-	-
	<b>5,722,627</b>	<b>5,427,311</b>	<b>3,238,531</b>	<b>3,320,962</b>

**CIMB Bank Berhad**

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**Statements of Cash Flows  
for the financial year ended 31 December 2018 (Continued)**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>(Increase)/Decrease in operating assets</b>				
Reverse repurchase agreements	(4,632,614)	(1,377,148)	(5,988,365)	(302,521)
Deposits and placements with banks and other financial institutions	(1,161,819)	(12,476)	(1,712,133)	(4,182,538)
Financial assets held for trading	-	1,493,675	-	2,175,887
Financial assets at fair value through profit or loss	(6,315,111)	-	(4,898,643)	-
Loans, advances and financing	(24,662,212)	(7,230,432)	(7,511,094)	4,953,985
Amount due from holding company and ultimate holding company	866	857	866	857
Amount due from subsidiaries	-	-	58,776	482,635
Amount due from related companies	29,255	116,059	29,564	115,038
Other assets	924,899	1,451,875	1,440,429	456,424
Statutory deposits with central banks	491,291	(146,123)	1,188,355	136,842
<b>Increase/(Decrease) in operating liabilities</b>				
Deposits from customers	23,343,748	19,967,899	10,129,761	8,559,401
Deposits and placements of banks and other financial institutions	2,205,907	(9,439,482)	1,612,182	(9,762,488)
Investment account of customers	861,507	653,355	-	-
Repurchase agreements	7,533,325	(1,022,337)	3,390,670	(1,022,337)
Derivative financial instruments	(23,253)	(631,702)	209	(581,900)
Bills and acceptances payable	(681,145)	(375,279)	(607,057)	200,051
Financial liabilities designated at fair value through profit or loss	950,852	200,679	(713,411)	(146,604)
Amount due to subsidiaries	-	-	81,362	(16,867)
Amount due to related companies	(10,807)	8,039	(9,131)	6,738
Other liabilities	(3,230,174)	2,800,362	(2,905,563)	3,122,363
Cash flows generated from/(used in) operations	1,347,142	11,885,132	(3,174,692)	7,515,928
Taxation and zakat paid	(1,069,822)	(892,550)	(786,434)	(665,285)
<b>Net cash generated from/(used in) operating activities</b>	<b>277,320</b>	<b>10,992,582</b>	<b>(3,961,126)</b>	<b>6,850,643</b>
<b>Cash flows from investing activities</b>				
Dividend income	52,099	76,595	50,617	74,706
Investment in subsidiaries	-	-	(523,141)	(718,247)
Interest income received from financial investments available-for-sale	-	871,239	-	710,521
Interest income received from debt instruments at fair value through other comprehensive income	859,655	-	685,825	-
Net proceeds of financial investments available-for-sale	-	1,654,878	-	733,276
Net (purchase)/proceeds of debt instruments at fair value through other comprehensive income	(3,997,286)	-	591,178	-
Interest income received from financial investments held-to-maturity	-	1,200,830	-	984,405
Interest income received from debt instruments at amortised cost	1,368,522	-	1,079,699	-
Net purchase of financial investments held-to-maturity	-	(6,872,467)	-	(6,083,255)
Net (purchase)/proceeds of debt instruments at amortised cost	(2,198,697)	-	470,235	-
Purchase of property, plant and equipment	(650,404)	(346,639)	(617,107)	(303,870)
Proceeds from disposal of property, plant and equipment/assets held for sale/leased assets	141,444	49,749	139,297	39,421
Proceeds from disposal of intangible assets	12,858	29,894	11,904	26,838
Purchase of intangible assets	(82,036)	(60,540)	(25,901)	(24,281)
Proceeds from disposal of associate	-	930,094	-	930,094
<b>Net cash (used in)/generated from investing activities</b>	<b>(4,493,845)</b>	<b>(2,466,367)</b>	<b>1,862,606</b>	<b>(3,630,392)</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Statements of Cash Flows  
for the financial year ended 31 December 2018 (Continued)**

Note	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cash flows from financing activities</b>				
Dividends paid	(2,768,127)	(2,127,129)	(2,768,127)	(2,127,129)
Interest expense paid on subordinated obligations	(493,143)	(511,035)	(498,697)	(462,347)
Interest expense paid on other borrowings	(139,511)	(83,211)	(171,204)	(109,018)
Interest expense paid on bonds, Sukuk and debentures	(298,645)	(219,759)	(330,115)	(191,425)
Interest expense paid on recourse obligation on loans and financing sold to Cagamas	(211,350)	(173,033)	(127,288)	(120,530)
Proceeds from issuance of bonds and debentures	1,389,239	10,375,988	-	8,459,228
Proceeds from other borrowings	813,500	4,100,600	813,500	4,980,600
Proceeds from issuance of subordinated obligations	2,990,000	1,500,000	2,900,000	1,500,000
Proceeds from issuance of recourse obligation on loans and financing sold to Cagamas	1,930,858	1,780,001	1,930,858	623,001
Repayment of recourse obligation on loans and financing sold to Cagamas	(1,129,997)	(1,093,439)	(973,003)	(647,939)
Repayment of bonds, Sukuk and debentures	(2,521,968)	(2,696,967)	(490,245)	(1,756,760)
Repayment of other borrowing	(751,475)	(2,119,990)	(1,048,474)	(2,401,779)
Repayment of subordinated obligations	(2,050,000)	(2,246,547)	(2,050,000)	(1,500,000)
Contribution from non-controlling interests	1,845	28,137	-	-
Issuance of shares due to rights issue	2,477,406	1,424,228	2,477,406	1,424,228
<b>Net cash (used in)/generated from financing activities</b>	<b>(761,368)</b>	<b>7,937,844</b>	<b>(335,389)</b>	<b>7,670,130</b>
<b>Net (decrease)/increase in cash and cash equivalents during the financial year</b>	<b>(4,977,893)</b>	<b>16,464,059</b>	<b>(2,433,909)</b>	<b>10,890,381</b>
<b>Effects of exchange rate differences</b>	<b>229,785</b>	<b>(1,742,850)</b>	<b>219,409</b>	<b>(1,605,863)</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>33,341,519</b>	<b>18,620,310</b>	<b>19,642,521</b>	<b>10,358,003</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>28,593,411</b>	<b>33,341,519</b>	<b>17,428,021</b>	<b>19,642,521</b>

2(a)

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Statements of Cash Flows  
for the financial year ended 31 December 2018 (Continued)**

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

The Group	Bonds, Sukuk and debentures	Other borrowings	Subordinated obligations	Recourse obligation	Total
				on loans and financing sold to Cagamas	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2018</b>	<b>13,263,385</b>	<b>5,100,684</b>	<b>10,361,318</b>	<b>5,195,248</b>	<b>33,920,635</b>
Proceeds from issuance	1,389,239	813,500	2,990,000	1,930,858	7,123,597
Repayment and redemption	(2,521,968)	(751,475)	(2,050,000)	(1,129,997)	(6,453,440)
Interest paid	(298,645)	(139,511)	(493,143)	(211,350)	(1,142,649)
Exchange fluctuation	40,035	83,306	(55,755)	-	67,586
Other non cash movement	321,484	151,987	545,956	222,688	1,242,115
<b>At 31 December 2018</b>	<b>12,193,530</b>	<b>5,258,491</b>	<b>11,298,376</b>	<b>6,007,447</b>	<b>34,757,844</b>
<b>At 1 January 2017</b>	<b>6,287,153</b>	<b>3,565,826</b>	<b>11,106,619</b>	<b>4,498,369</b>	<b>25,457,967</b>
Proceeds from issuance	10,375,988	4,100,600	1,500,000	1,780,001	17,756,589
Repayment and redemption	(2,696,967)	(2,119,990)	(2,246,547)	(1,093,439)	(8,156,943)
Interest paid	(219,759)	(83,211)	(511,035)	(173,033)	(987,038)
Exchange fluctuation	(706,617)	(460,132)	(1,893)	-	(1,168,642)
Other non cash movement	223,587	97,591	514,174	183,350	1,018,702
<b>At 31 December 2017</b>	<b>13,263,385</b>	<b>5,100,684</b>	<b>10,361,318</b>	<b>5,195,248</b>	<b>33,920,635</b>

The Bank	Bonds, Sukuk and debentures	Other borrowings	Subordinated obligations	Recourse obligation	Total
				on loans and financing sold to Cagamas	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2018</b>	<b>11,204,948</b>	<b>5,697,728</b>	<b>9,533,891</b>	<b>3,122,948</b>	<b>29,559,515</b>
Proceeds from issuance	-	813,500	2,900,000	1,930,858	5,644,358
Repayment and redemption	(490,245)	(1,048,474)	(2,050,000)	(973,003)	(4,561,722)
Interest paid	(330,115)	(171,204)	(498,697)	(127,288)	(1,127,304)
Exchange fluctuation	29,118	83,306	-	-	112,424
Other non cash movement	279,621	185,244	513,890	138,429	1,117,184
<b>At 31 December 2018</b>	<b>10,693,327</b>	<b>5,560,100</b>	<b>10,399,084</b>	<b>4,091,944</b>	<b>30,744,455</b>
<b>At 1 January 2017</b>	<b>5,199,084</b>	<b>3,565,826</b>	<b>9,529,719</b>	<b>3,144,979</b>	<b>21,439,608</b>
Proceeds from issuance	8,459,228	4,980,600	1,500,000	623,001	15,562,829
Repayment and redemption	(1,756,760)	(2,401,779)	(1,500,000)	(647,939)	(6,306,478)
Interest paid	(191,425)	(109,018)	(462,347)	(120,530)	(883,320)
Exchange fluctuation	(700,399)	(460,133)	-	-	(1,160,532)
Other non cash movement	195,220	122,232	466,519	123,437	907,408
<b>At 31 December 2017</b>	<b>11,204,948</b>	<b>5,697,728</b>	<b>9,533,891</b>	<b>3,122,948</b>	<b>29,559,515</b>

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

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

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

### **A Basis of preparation**

The Financial Statements of the Group and the 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 of financial assets at fair value through profit or loss, debts instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, derivatives financial instruments, non-current assets/disposal groups held for sale and financial liabilities designated at fair value through profit or loss.

The Financial Statements incorporate those activities relating to Islamic banking which have been undertaken by the Bank and its wholly-owned subsidiaries, CIMB Islamic Bank Berhad (“CIMB Islamic”) and CIMB Bank (L) Limited. 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 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 54.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

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

##### **(i) Adoption of MFRS 9 “Financial Instruments”**

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

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

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

The impact of adoption of MFRS 9 of the Group and the Bank are summarised in Note 56.



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

##### **(ii) Adoption of MFRS 15 “Revenue from Contracts with Customers”**

MFRS 15 “Revenue from Contracts with Customers” replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction Contracts’ and their related interpretations.

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

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

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

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

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the 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 2019
- MFRS 16 "Leases" supersedes MFRS 117 "Lease" and the related interpretations.

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

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

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

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

With regard to the options and simplifications under MFRS 16, the Group undertakes the following approach:

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

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

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

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

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

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

- Annual Improvements to MFRSs 2015 – 2017 Cycle
  - Amendments to MFRS 3 “Business Combinations” clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
  - Amendments to MFRS 11 “Joint Arrangements” clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

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

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in acquiree (if any), and the fair value of the Group's previously held equity interest in acquiree (if any), over the fair value of the acquiree's identifiable net assets acquired is recorded as goodwill. The accounting policy for goodwill is set out in Note 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 and any corresponding gain or loss is recognised in statement of income.

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

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

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

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

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



## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

##### **(c) Disposal of subsidiaries**

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

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

##### **d) Joint arrangements**

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

##### **(d) Joint arrangements (Continued)**

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

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

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

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

##### **(e) Associates**

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

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

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

##### **(e) Associates (Continued)**

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

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

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

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

##### **(f) Interests in subsidiaries, joint arrangements and associates**

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

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

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

Accounting policies applied from 1 January 2018.

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

#### **E Sale and repurchase agreements**

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

### **F Financial assets**

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

With the effect from the financial year beginning on/after 1 January 2018, 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 debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI by the Group and the 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 Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

### **F 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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

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

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



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

### **F Financial assets (Continued)**

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

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

##### **(iii) Fair value through profit or loss**

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

##### **Equity instruments**

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **G Financial liabilities**

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

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

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **G Financial liabilities (Continued)**

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

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

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

### **G Financial liabilities (Continued)**

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

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

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

The Group believes that this approach most faithfully represents the amount of change in fair value due to the Group's own credit risk, as the changes in factors contributing to the fair value of the other items.

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

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, repurchase agreements, bills and acceptances payable, sundry creditors, recourse obligation on loans and financing sold to Cagamas, bonds, sukuk and debentures, other borrowings, subordinated obligations, amount due to subsidiaries, and amount due to related companies.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

### **H 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 retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

### **I 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.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **J 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, FVOCI and with the exposure arising from loan commitments and financial guarantee contracts.

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

A summary of the assumptions underpinning the Group’s and the 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.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

- (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.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **K Derivative financial instruments and hedge accounting**

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

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

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

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

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

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



## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **K Derivative financial instruments and hedge accounting (Continued)**

##### **(a) Fair value hedge**

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

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

##### **(b) Cash flow hedge**

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **K Derivative financial instruments and hedge accounting (Continued)**

##### **(c) Net investment hedge**

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

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

#### **L 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 period in which they are incurred.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **L 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 write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	40 years or over the remaining period of the lease, whichever is shorter
Building on freehold land	40 years
Building on leasehold land	40 years or over the remaining period of the lease, whichever is shorter
Office equipment, plant and machinery and furniture and fittings:	
- office equipment	3 - 10 years
- plant and machinery	5 years
- furniture and fittings	5 - 10 years
Renovations to rented premises	5 - 10 years or over the period of the tenancy, whichever is shorter
Computer equipment and hardware:	
- servers and hardware	3 - 7 years
- ATM machine	5 - 10 years
Computer equipment and software under lease	3 - 5 years or over the period of the lease, whichever is shorter
Motor vehicles	5 years
Cards	3 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.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **M Intangible assets**

##### **(a) Goodwill**

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

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

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

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

##### **(b) Other intangible assets**

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **M Intangible assets (Continued)**

##### **(b) Other intangible assets (Continued)**

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

Customer relationships:

- credit card 12 years

Computer software 3 - 15 years

Core deposits 8 – 20 years

#### **N Assets purchased under lease**

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

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the 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.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **N Assets purchased under lease (Continued)**

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

*Others (Continued)*

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

#### **O Assets sold under lease**

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

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

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

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

#### **P Currency translations**

##### **(a) Functional and presentation currency**

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

### **P Currency translations (Continued)**

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

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

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

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

#### **(c) Group companies**

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **P Currency translations (Continued)**

##### **(c) Group companies (Continued)**

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

#### **Q Income and deferred taxes**

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

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

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

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

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

Deferred income tax related to fair value re-measurement of debt instruments at fair value through other comprehensive income and equity instruments at fair value, 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.



## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

#### **R Share capital**

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

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

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

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

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

Dividends on ordinary shares and Redeemable Preference Shares are recognised as a liability when the shareholders' right to receive the dividend is established.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **S Employee benefits**

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

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

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year 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 various post-employment benefit schemes. These benefit plans are either defined contribution or defined benefit plans.

###### *Defined contribution plans*

Defined contribution plan is a pension plan under which the Group and the 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 in the financial year to which they relate. 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.

###### *Defined benefit plans*

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **S Employee benefits (Continued)**

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

###### *Defined benefit plans (Continued)*

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

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

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

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

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

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

##### **(d) Termination benefits**

Termination benefits are payable when employment is terminated by the Group and the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Bank recognise termination benefits at the earlier of the following dates:

- (a) when the Group and the Bank can no longer withdraw the offer of those benefits; and
- (b) when the Group and the Bank recognise 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 Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **S Employee benefits (Continued)**

##### **(e) Bonus plans**

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

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

###### *Employee Ownership Plan ("EOP")*

CIMB Group operates an equity-settled, share-based compensation plan, where ordinary shares of CIMB 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.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **T Impairment of non-financial assets**

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

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

#### **U Foreclosed properties**

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

#### **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.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **W Financial guarantee contracts**

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

Financial guarantees are initially recognised in the Financial Statements at fair value on the date the guarantee was given. The financial guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amount determined in accordance with MFRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the amount initially recognised less, when appropriate, accumulative amortisation recognised in accordance with MFRS 118 "Revenue". From 1 January 2018, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

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

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

#### **X Cash and cash equivalents**

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

#### **Y Segment reporting**

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

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

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

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

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the 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.

#### **AB Contingent assets and contingent liabilities**

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

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

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

#### **AC Bills and acceptances payable**

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

### **AD Accounting policies applied in 2017**

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

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

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

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

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

#### **(ii) Loans and receivables**

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

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

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



## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **AD Accounting policies applied in 2017 (Continued)**

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

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

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

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

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

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

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **AD Accounting policies applied in 2017 (Continued)**

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

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

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

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

- (i) In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised to statement of income over the remaining life of the held-to-maturity investment using the effective interest method. Any difference between the new amortised cost and maturity amount shall also be amortised over the remaining life of the financial asset using the effective interest method, similar to the amortisation of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income.
- (ii) In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognised in statement of income when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired any previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **AD Accounting policies applied in 2017 (Continued)**

##### **(e) Derecognition of financial assets**

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

Collateral furnished by the Group and the 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.

##### **(f) Impairment of financial assets**

##### **(i) Assets carried at amortised cost**

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

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **AD Accounting policies applied in 2017 (Continued)**

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

##### **(i) Assets carried at amortised cost (Continued)**

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

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

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

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

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2018 (Continued)**

#### **AD Accounting policies applied in 2017 (Continued)**

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

##### **(ii) Assets classified as available-for-sale**

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

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

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

# CIMB Bank Berhad

(Incorporated in Malaysia)

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

### 1 General information

The Bank is principally engaged in all aspects of commercial banking and in the provision of related financial services, including Islamic banking. The principal activities of the significant subsidiaries as set out in Note 18 in the Financial Statements, consist of Islamic banking, offshore banking, debt factoring, trustees and nominee services, and property ownership and management. There was no significant change in the nature of these activities during the financial year.

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

The Bank is a 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(a) Cash and short-term funds

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	6,019,795	7,091,013	4,925,242	4,838,499
Money at call and deposit placements maturing within one month	22,574,134	26,250,506	12,502,881	14,804,022
	28,593,929	33,341,519	17,428,123	19,642,521
Expected credit losses	(518)	-	(102)	-
	28,593,411	33,341,519	17,428,021	19,642,521

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****2(b) Deposits and placements with banks and other financial institutions**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Licensed banks	2,081,361	1,194,094	10,708,316	9,227,427
Licensed investment banks	231,148	-	231,148	-
Bank Negara Malaysia and other central banks	43,063	-	-	-
Other financial institutions	-	111	-	-
	<u>2,355,572</u>	<u>1,194,205</u>	<u>10,939,464</u>	<u>9,227,427</u>
Expected credit losses	(1,278)	-	(1,044)	-
	<u>2,354,294</u>	<u>1,194,205</u>	<u>10,938,420</u>	<u>9,227,427</u>

Included in the Bank's deposits and placements with banks and other financial institutions are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement with CIMB Islamic. The RPSIA is a contract based on Shariah concept of Mudharabah between the Bank and CIMB Islamic to finance a specific business venture where the Bank solely provides capital and the business ventures are managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on a pre-agreed ratio and management fees.

As at 31 December 2018, the RPSIA placements amounted to RM8,216,809,000 (2017: RM8,145,684,000) for a tenure between 1 to 6 months (2017: tenure 1 to 3 months) at indicative profit rates from 2.79% to 4.12% (2017: 2.02% to 3.83%) per annum.

As at 31 December 2018, the expected credit losses in deposit placements maturing within one month and deposits and placements with banks and other financial institutions are RM518,000 and RM1,278,000 respectively for the Group and RM102,000 and RM1,044,000 respectively for the Bank. The 12-month expected credit losses made/(write-back) in the income statement for the Group and the Bank during the financial year is amounting to RM124,000 and (RM385,000) respectively.

**3 Reverse repurchase agreements**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Reverse repurchase agreements				
- at amortised cost	10,602,125	6,484,687	10,473,789	5,000,601
- at fair value through profit or loss	500,134	-	500,134	-
	<u>11,102,259</u>	<u>6,484,687</u>	<u>10,973,923</u>	<u>5,000,601</u>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****4 Financial assets at fair value through profit or loss**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Fair Value</b>				
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government Securities	1,856,675	-	1,856,675	-
Cagamas bonds	626,157	-	626,157	-
Malaysian Government treasury bills	9,967	-	9,967	-
Bank Negara Malaysia Monetary Notes	738,413	-	738,413	-
Bankers' acceptance	102,325	-	102,325	-
Negotiable instruments of deposit	7,663,918	-	4,883,128	-
Other Government securities	4,527,434	-	1,983,517	-
Government Investment Issues	237,414	-	145,843	-
Other Government treasury bills	5,667,495	-	5,667,495	-
Promissory Notes	413,965	-	413,965	-
Commercial papers	1,139,868	-	1,130,265	-
	<b>22,983,631</b>	<b>-</b>	<b>17,557,750</b>	<b>-</b>
<b>Quoted securities:</b>				
<u>In Malaysia</u>				
Shares	340,868	-	340,868	-
<u>Outside Malaysia</u>				
Shares	57,011	-	57,011	-
	<b>397,879</b>	<b>-</b>	<b>397,879</b>	<b>-</b>
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Shares	815,780	-	803,515	-
Corporate bond and Sukuk	2,633,581	-	2,602,881	-
	<b>3,449,361</b>	<b>-</b>	<b>3,406,396</b>	<b>-</b>
<u>Outside Malaysia</u>				
Corporate bond	1,666,191	-	1,253,550	-
Private equity and unit trusts funds	398,925	-	398,925	-
	<b>2,065,116</b>	<b>-</b>	<b>1,652,475</b>	<b>-</b>
	<b>28,895,987</b>	<b>-</b>	<b>23,014,500</b>	<b>-</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****5 Debt instruments at fair value through other comprehensive income**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Fair Value</b>				
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government Securities	748,002	-	742,940	-
Cagamas bonds	280,390	-	213,783	-
Khazanah bonds	41,185	-	41,185	-
Other government treasury bills	105,406	-	105,406	-
Other government securities	3,585,795	-	575,361	-
Negotiable instruments of deposit	448,425	-	448,425	-
Government investment issues	1,146,627	-	384,308	-
Commercial papers	24,271	-	-	-
	<b>6,380,101</b>	<b>-</b>	<b>2,511,408</b>	<b>-</b>
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Corporate bond and Sukuk	13,286,077	-	11,460,564	-
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	6,733,899	-	3,419,430	-
Unit trust fund	1	-	-	-
	<b>6,733,900</b>	<b>-</b>	<b>3,419,430</b>	<b>-</b>
	<b>26,400,078</b>	<b>-</b>	<b>17,391,402</b>	<b>-</b>

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

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****5 Debt instruments at fair value through other comprehensive income  
(Continued)**

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

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

The Group	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
<b>At 1 January 2018</b>	-	-	-	-
Effect of adopting MFRS 9	20,486	4,050	133,306	157,842
<b>Adjusted 1 January 2018</b>	<b>20,486</b>	<b>4,050</b>	<b>133,306</b>	<b>157,842</b>
Changes in expected credit losses due to transferred within stages:	17,194	(17,194)	-	-
Transferred to Stage 1	17,276	(17,276)	-	-
Transferred to Stage 2	(82)	82	-	-
<b>Total charge to Income Statement:</b>	<b>(19,861)</b>	<b>15,067</b>	<b>2,894</b>	<b>(1,900)</b>
New financial assets purchased	42,829	-	-	42,829
Financial assets that have been derecognised	(7,501)	(4,521)	-	(12,022)
Change in credit risk	(55,189)	19,588	2,894	(32,707)
Write-offs	-	-	(65,679)	(65,679)
Exchange fluctuation	63	1	88	152
Other movements	-	-	(40,303)	(40,303)
<b>At 31 December 2018</b>	<b>17,882</b>	<b>1,924</b>	<b>30,306</b>	<b>50,112</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****5 Debt instruments at fair value through other comprehensive income  
(Continued)**

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

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

The Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
<b>At 1 January 2018</b>	-	-	-	-
Effect of adopting MFRS 9	19,376	3,888	133,306	156,570
<b>Adjusted 1 January 2018</b>	19,376	3,888	133,306	156,570
Changes in expected credit losses due to transferred within stages:	9,749	(9,749)	-	-
Transferred to Stage 1	9,830	(9,830)	-	-
Transferred to Stage 2	(81)	81	-	-
<b>Total charge to Income Statement:</b>	(13,687)	7,784	2,894	(3,009)
New financial assets purchased	36,898	-	-	36,898
Financial assets that have been derecognised	(6,524)	(4,359)	-	(10,883)
Change in credit risk	(44,061)	12,143	2,894	(29,024)
Write-offs	-	-	(65,679)	(65,679)
Exchange fluctuation	36	-	88	124
Other movements	-	-	(40,303)	(40,303)
<b>At 31 December 2018</b>	15,474	1,923	30,306	47,703

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****5 Debt instruments at fair value through other comprehensive income  
(Continued)**

Gross carrying amount movement for debt instruments at fair value through other comprehensive income classified as credit impaired:

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

**Impact of movements in gross carrying amount on expected credit losses**

Stage 1 expected credit losses (“ECL”) decreased by RM20 million and RM14 million for the Group and the Bank respectively during the financial year mainly due to derecognition of gross carrying amounts (“GCA”) for debt instruments at fair value through other comprehensive income from disposal, lower GCA from partial disposal and lower ECL for GCA transferred from stage 2 to stage 1, offset by recognition of GCA from new financial assets purchased.

Stage 2 ECL increased by RM15 million and RM8 million for the Group and the Bank respectively mainly due to higher ECL for GCA transferred from stage 1 to stage 2.

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****6 Equity instruments at fair value through other comprehensive income**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Quoted securities:</b>				
<u>Outside Malaysia</u>				
Shares	2,349	-	58	-
Unit trusts	5,376	-	-	-
	7,725	-	58	-
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Shares	253,880	-	253,244	-
Perpetual corporate bonds	177,034	-	177,034	-
	430,914	-	430,278	-
<u>Outside Malaysia</u>				
Shares	6,175	-	2,383	-
Private equity and unit trusts funds	98,880	-	98,880	-
	105,055	-	101,263	-
	543,694	-	531,599	-

In 2018, the equity investments at fair value through other comprehensive income comprise of the following individual investments:

	2018	
	The Group	The Bank
	RM'000	RM'000
<b>Quoted securities</b>		
Compact Metal Industries Ltd	58	58
Premier Products Limited	2,290	-
Sub Sri Thai Property Fund	5,377	-
	7,725	58
<b>Unquoted securities</b>		
Tabung Pemulihan Perumahan Terbangkalai	80,997	80,997
Swift	2,383	2,383
Financial Park (Labuan) Sdn Bhd	164,111	164,111
Global Maritime Ventures Bhd	4,463	4,463
Perbadanan Nasional Berhad	3,672	3,672
Redcliff Enterprise Overseas Ltd, BVI	43,392	43,392
Northstar Equity Partner III Limited	55,489	55,489
Mah Sing Group Berhad - Perpetual bonds	76,571	76,571
Aeon Credit Service (M) Berhad - Perpetual bonds	100,463	100,463
Others	4,428	-
	535,969	531,541
Total equity investments at fair value through other comprehensive income comprise	543,694	531,599

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****7 Debt instruments at amortised cost**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government securities	3,183,451	-	3,082,110	-
Cagamas bonds	242,008	-	201,682	-
Other Government treasury bills	2,263,502	-	2,263,502	-
Other Government's securities	1,736,645	-	517,584	-
Malaysian Government Investment Issue	8,492,547	-	6,332,666	-
Khazanah bonds	364,199	-	364,199	-
	<b>16,282,352</b>	<b>-</b>	<b>12,761,743</b>	<b>-</b>
<b>Quoted securities:</b>				
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	9,627	-	-	-
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Corporate bond and Sukuk	16,865,347	-	12,920,066	-
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	2,657,619	-	2,113,380	-
Amortisation of premium net of accretion of discount	83,515	-	88,358	-
Less : Expected credit losses	(113,990)	-	(109,806)	-
	<b>35,784,470</b>	<b>-</b>	<b>27,773,741</b>	<b>-</b>

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

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****7 Debt instruments at amortised cost (Continued)**

Expected credit losses movement for debt instruments at amortised cost:

The Group	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
<b>At 1 January 2018</b>	-	-	-	-
Effect of adopting MFRS 9	9,603	9,876	7,180	26,659
<b>Adjusted 1 January 2018</b>	9,603	9,876	7,180	26,659
Changes in expected credit losses due to transferred within stages:				
Transferred to Stage 2	(2,921)	2,921	-	-
<b>Total charge to Income Statement:</b>	(17)	87,351	-	87,334
New financial assets purchased	6,551	-	-	6,551
Financial assets that have been derecognised	(186)	(11,673)	-	(11,859)
Change in credit risk	(6,382)	99,024	-	92,642
Exchange fluctuation	(7)	-	4	(3)
<b>At 31 December 2018</b>	6,658	100,148	7,184	113,990

The Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
<b>At 1 January 2018</b>	-	-	-	-
Effect of adopting MFRS 9	9,186	9,876	-	19,062
<b>Adjusted 1 January 2018</b>	9,186	9,876	-	19,062
Changes due to financial assets recognised in the opening balance that have:				
Transferred to Stage 2	(2,875)	2,875	-	-
<b>Total charge to Income Statement:</b>	3,354	87,397	-	90,751
New financial assets purchased	8,838	-	-	8,838
Financial assets that have been derecognised	(147)	(11,518)	-	(11,665)
Change in credit risk	(5,337)	98,915	-	93,578
Exchange fluctuation	(7)	-	-	(7)
<b>At 31 December 2018</b>	9,658	100,148	-	109,806

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****7 Debt instruments at amortised cost (Continued)**

Gross carrying amount movement for debt instruments at amortised cost classified as credit impaired:

The Group	Lifetime expected credit losses - credit impaired (Stage 3)	
	RM'000	Total RM'000
At 1 January 2018	-	-
Effect of adoption of MFRS 9	7,180	7,180
Adjusted 1 January 2018	7,180	7,180
Exchange fluctuation	4	4
At 31 December 2018	7,184	7,184

**Impact of movements in gross carrying amount on expected credit losses**

The net ECL charged during the year of RM87 million and RM91 million for the Group and the Bank respectively is mainly from stage 2 ECL as a result of GCA transferred from stage 1 to stage 2.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****8 Financial assets held for trading**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government Securities	-	365,484	-	365,484
Cagamas bonds	-	188,085	-	137,326
Malaysian Government treasury bills	-	25,298	-	23,941
Other Government securities	-	2,273,146	-	1,201,031
Other Government treasury bills	-	4,099,551	-	4,099,551
Bank Negara Malaysia Monetary Notes	-	99,343	-	99,343
Bankers' acceptance	-	22,149	-	22,149
Negotiable instruments of deposit	-	6,288,869	-	3,523,918
Commercial papers	-	72,816	-	72,816
Government Investment Issue	-	451,167	-	104,068
	-	13,885,908	-	9,649,627
<b>Quoted securities:</b>				
<u>In Malaysia</u>				
Shares	-	818,460	-	818,460
<u>Outside Malaysia</u>				
Shares	-	511,314	-	511,314
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Shares	-	1	-	1
Corporate bond and Sukuk	-	2,091,025	-	2,032,902
	-	2,091,026	-	2,032,903
<u>Outside Malaysia</u>				
Private equity funds	-	164,242	-	164,242
Corporate bond and Sukuk	-	2,939,104	-	2,815,858
	-	3,103,346	-	2,980,100
	-	20,410,054	-	15,992,404

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****9 Financial investments available-for-sale**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government Securities	-	289,569	-	289,569
Malaysian Government Sukuk	-	22,107	-	-
Khazanah bonds	-	132,052	-	132,052
Government Investment Issue	-	696,373	-	341,307
Negotiable instruments of deposit	-	482,401	-	482,401
Other Government securities	-	598,316	-	585,784
Cagamas bonds	-	140,874	-	135,351
Commercial papers	-	39,825	-	39,825
	-	2,401,517	-	2,006,289
<b>Quoted securities:</b>				
<u>Outside Malaysia</u>				
Shares	-	4,215	-	131
Unit trusts	-	6,001	-	-
	-	10,216	-	131
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Shares	-	1,046,808	-	1,034,906
Corporate bond and Sukuk	-	13,763,383	-	12,285,937
Loan stocks	-	10,087	-	10,087
	-	14,820,278	-	13,330,930
<u>Outside Malaysia</u>				
Shares	-	32,937	-	147
Private equity and unit trusts funds	-	480,263	-	455,624
Corporate bond and Sukuk	-	7,164,956	-	4,516,742
	-	7,678,156	-	4,972,513
	-	24,910,167	-	20,309,863
<b>Allowance for impairment losses:</b>				
Corporate bond	-	(67,627)	-	(67,627)
Private equity funds	-	(124,472)	-	(101,892)
Unquoted shares	-	(103,343)	-	(74,990)
Loan stocks	-	(10,087)	-	(10,087)
Unit trusts	-	(362)	-	-
	-	(305,891)	-	(254,596)
	-	24,604,276	-	20,055,267

# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 9 Financial investments available-for-sale (Continued)

Included in 2017 were securities and money market instruments amounting to RM4,159 million invested by asset management companies on behalf of the Group and the Bank.

As at 31 December 2017, the movements in allowance for impairment losses for the Group and the Bank are as follows:

	<b>The Group</b>	<b>The Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2017	288,625	237,551
Allowance made during the financial year	39,880	39,296
Disposal of securities	(10,399)	(10,399)
Exchange fluctuation	(12,215)	(11,852)
At 31 December 2017	<u>305,891</u>	<u>254,596</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****10 Financial investments held-to-maturity**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government Securities	-	2,973,797	-	2,973,797
Government Investment Issue	-	8,328,896	-	6,771,930
Other government securities	-	1,004,223	-	656,882
Other government treasury bills	-	2,311,257	-	2,311,257
Cagamas bonds	-	203,649	-	203,649
Khazanah bonds	-	443,597	-	430,935
	-	15,265,419	-	13,348,450
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Loans stocks	-	7,020	-	-
Corporate bond and Sukuk	-	16,613,687	-	13,456,157
	-	16,620,707	-	13,456,157
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	-	2,398,814	-	1,825,506
Amortisation of premium net of accretion of discount	-	45,342	-	68,448
Less: Allowance for impairment losses	-	(7,180)	-	-
	-	34,323,102	-	28,698,561

Included in 2017 were securities and money market instruments amounting to RM918 million invested by asset management companies on behalf of the Group and the Bank.

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

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

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 10 Financial investments held-to-maturity (Continued)

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

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

As at 31 December 2017, the movements in allowance for impairment losses for the Group and the Bank are as follows:

	<b>The Group</b>	<b>The Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2017	7,181	-
Exchange fluctuation	(1)	-
At 31 December 2017	<u>7,180</u>	<u>-</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing**

## (i) By type

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<i>At amortised cost</i>				
Overdrafts	5,239,491	5,311,225	3,373,704	3,517,690
Term loans/financing				
- Housing loan/financing	87,236,765	79,878,492	58,990,334	57,140,575
- Syndicated term loan	17,141,144	16,393,012	15,112,637	14,198,497
- Other term loans/financing	107,298,306	99,087,551	61,858,970	59,695,032
- Factoring receivables	12,898	13,225	-	-
- Lease receivables	14,382	53,534	-	-
- Hire purchase receivables	19,656,618	18,164,036	7,718,440	8,647,871
Bills receivable	8,073,247	9,556,193	4,498,553	5,539,051
Trust receipts	1,981,916	1,764,126	962,837	831,995
Claim on customers under acceptance credit	3,927,566	3,788,108	2,811,046	2,932,626
Staff loans	1,137,639	850,565	873,783	665,962
Credit card receivables	7,002,267	7,131,703	6,854,171	6,948,533
Revolving credit	29,260,753	23,060,060	22,380,454	18,495,219
Share margin financing	715,119	888,736	714,912	884,999
Gross loans, advances and financing	288,698,111	265,940,566	186,149,841	179,498,050
Fair value changes arising from fair value hedges	30,104	86,537	(2,629)	16,664
	288,728,215	266,027,103	186,147,212	179,514,714
Less:				
- Expected credit losses	(5,062,405)	-	(3,402,511)	-
- Individual portfolio impairment allowance	-	(2,464,883)	-	(1,643,137)
- Portfolio impairment allowance	-	(1,773,511)	-	(974,541)
	(5,062,405)	(4,238,394)	(3,402,511)	(2,617,678)
Net loans, advances and financing at amortised cost	283,665,810	261,788,709	182,744,701	176,897,036
<i>At fair value through profit or loss</i>				
Term loans/financing				
- Syndicated term loan	803,501	-	311,935	-
- Other term loans/financing	180	-	180	-
	803,681	-	312,115	-
<b>Total net loans, advances and financing</b>	<b>284,469,491</b>	<b>261,788,709</b>	<b>183,056,816</b>	<b>176,897,036</b>
<b>Total gross loans, advances and financing</b>				
- At amortised cost	288,698,111	265,940,566	186,149,841	179,498,050
- At fair value through profit or loss	803,681	-	312,115	-
	289,501,792	265,940,566	186,461,956	179,498,050

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **11 Loans, advances and financing (Continued)**

(i) By type (Continued)

- (a) Included in the Group's and the Bank's loans, advances and financing balances are RM34,633,000 (2017: RM39,767,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatements of these loans have been approved by BNM on 5 February 2010 and were done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.
- (b) The Group and the Bank have undertaken fair value hedge on the interest rate risk of loans, advances and financing of RM3,492,615,000 (2017: RM4,271,223,000) and RM108,609,000 (2017: RM576,169,000) respectively, using interest rate swaps.
- (c) As part of an arrangement with CIMB Islamic in relation to the RPSIA, the Bank records as deposits and placements with banks and other financial institutions, its exposure in the arrangement (See Note 2(b)), whereas CIMB Islamic records its exposure as loans, advances and financing. The RPSIA arrangement exposes the Bank to the risks and rewards on the financing and accordingly, the Bank accounts for all impairment allowances for bad and doubtful financing arising from the RPSIA financing.

As at 31 December 2018, the gross exposure and 12-months expected credit losses relating to RPSIA financing are RM6,907,549,000 (2017: RM6,123,712,000) and RM25,658,000 (2017: portfolio impairment allowance of RM10,248,000) respectively.

There was no individual impairment allowance provided for the RPSIA financing in 2017.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

- (d) Included in the loans, advances and financing of the Group and the Bank at 31 December 2018 are financing which are disclosed as “Restricted Agency Investment Account” in the financial statements of CIMB Islamic. These details are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revolving credit	<b>1,501,107</b>		<b>1,501,107</b>	
Other term loan	<b>4,029,891</b>	-	<b>4,029,891</b>	-
	<b>5,530,998</b>	-	<b>5,530,998</b>	-

Restricted Agency Investment Account (“RAIA”) arrangement is with the Bank’s wholly owned subsidiary, CIMB Islamic, and the contract is based on the Wakalah principle where the Bank, solely provide the funds, whilst the assets are managed by CIMB Islamic (as the Wakeel or agent). In the arrangement, CIMB Islamic has transferred substantially all the risk and rewards of ownership of the Investment (i.e the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and expected credit losses arising thereon, if any, are recognised and accounted for by the Bank.

The recognition and derecognition of the above are in accordance to Note F and H in the financial statements of the Group and the Bank for the financial year ended 31 December 2018.



**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

(ii) By type of customer:

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	92,753	17,862	1,902	3,229
Domestic non-bank financial institutions				
- stockbroking companies	162	102,604	162	2,577
- others	4,068,641	3,887,681	874,153	666,710
Domestic business enterprises				
- small medium enterprises	30,885,594	29,561,239	18,891,350	20,322,676
- others	43,578,110	35,998,187	22,780,722	18,708,366
Government and statutory bodies	10,188,407	10,018,671	4,871,089	2,957,994
Individuals	158,787,169	146,342,101	98,614,192	97,918,586
Other domestic entities	1,349,106	635,922	791,869	124,210
Foreign entities	40,551,850	39,376,299	39,636,517	38,793,702
Gross loans, advances and financing	<b>289,501,792</b>	265,940,566	<b>186,461,956</b>	179,498,050

(iii) By interest rate sensitivity:

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans	2,780,262	2,854,212	1,648,905	2,119,060
- Hire-purchase receivables	14,158,936	11,684,042	3,721,651	3,642,314
- Other fixed rate loans	28,276,568	27,997,692	16,508,430	14,636,584
Variable rate				
- BLR plus	92,036,504	96,504,783	72,506,407	78,021,619
- Cost-plus	53,788,742	47,824,774	36,243,254	34,664,372
- Other variable rates	98,460,780	79,075,063	55,833,309	46,414,101
Gross loans, advances and financing	<b>289,501,792</b>	265,940,566	<b>186,461,956</b>	179,498,050

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(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

(iv) By economic purpose:

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Personal use	12,694,905	11,804,630	7,764,931	6,774,697
Credit card	7,002,267	7,131,703	6,854,171	6,948,533
Purchase of consumer durables	79,553	90,220	63,042	72,270
Construction	11,919,288	10,097,252	6,649,710	6,655,321
Residential property (Housing)	89,943,811	82,658,252	61,004,546	59,494,093
Non-residential property	27,470,562	24,905,360	21,785,387	20,719,538
Purchase of fixed assets other than land and building	2,405,827	2,027,745	1,914,781	1,559,519
Merger and acquisition	2,648,296	2,241,907	2,626,781	2,239,170
Purchase of securities	25,756,162	25,094,414	13,607,530	16,064,629
Purchase of transport vehicles	20,107,369	18,967,461	7,828,697	9,012,765
Working capital	61,036,920	56,042,714	38,368,668	36,470,518
Other purpose	28,436,832	24,878,908	17,993,712	13,486,997
Gross loans, advances and financing	<u>289,501,792</u>	<u>265,940,566</u>	<u>186,461,956</u>	<u>179,498,050</u>

(v) By geographical distribution:

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	207,576,325	189,113,107	136,235,153	131,033,519
Indonesia	2,743,431	2,874,078	2,743,431	2,874,078
Thailand	30,773,434	29,932,977	1,868,648	3,671,229
Singapore	29,223,364	26,364,326	29,223,364	26,364,324
United Kingdom	4,852,136	3,886,601	4,852,136	3,886,601
Hong Kong	2,276,308	2,292,034	2,276,308	2,292,034
China	3,683,515	4,496,128	3,683,515	4,496,128
Other countries	8,373,279	6,981,315	5,579,401	4,880,137
Gross loans, advances and financing	<u>289,501,792</u>	<u>265,940,566</u>	<u>186,461,956</u>	<u>179,498,050</u>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

(vi) By economic sector:

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Primary agriculture	<b>7,814,502</b>	6,788,484	<b>5,451,108</b>	4,675,464
Mining and quarrying	<b>6,393,868</b>	6,250,775	<b>4,100,435</b>	4,054,472
Manufacturing	<b>13,123,785</b>	13,834,505	<b>6,910,656</b>	8,114,894
Electricity, gas and water supply	<b>3,835,856</b>	2,696,346	<b>2,124,389</b>	1,124,954
Construction	<b>12,611,880</b>	10,574,293	<b>9,741,153</b>	9,004,862
Transport, storage and communications	<b>10,353,540</b>	9,314,030	<b>6,123,614</b>	6,509,755
Education, health and others	<b>13,977,810</b>	14,379,289	<b>7,356,896</b>	6,389,897
Wholesale and retail trade, and restaurants and hotels	<b>21,253,884</b>	19,521,762	<b>14,923,282</b>	14,350,356
Finance, insurance/takaful, real estate and business activities	<b>38,082,448</b>	32,467,880	<b>27,070,052</b>	23,185,444
Household	<b>159,714,098</b>	148,128,764	<b>100,540,121</b>	100,253,517
Others	<b>2,340,121</b>	1,984,438	<b>2,120,250</b>	1,834,435
	<b>289,501,792</b>	265,940,566	<b>186,461,956</b>	179,498,050

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

(vii) By residual contractual maturity:

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	76,634,280	64,819,953	57,391,231	48,583,844
One year to less than three years	19,028,312	24,261,253	10,687,324	15,112,905
Three years to less than five years	24,846,353	21,766,631	16,150,834	14,152,702
Five years and more	168,992,847	155,092,729	102,232,567	101,648,599
Gross loans, advances and financing	<u>289,501,792</u>	<u>265,940,566</u>	<u>186,461,956</u>	<u>179,498,050</u>

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

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Personal use	203,341	203,153	108,728	111,270
Credit card	107,599	120,180	104,838	114,100
Purchase of consumer durables	715	342	379	4
Construction	1,363,018	1,385,487	1,137,777	1,129,708
Residential property (Housing)	1,243,435	1,045,612	752,022	699,830
Non-residential property	299,477	234,801	238,450	170,065
Purchased of fixed assets other than land and building	27,185	6,267	27,110	6,267
Purchase of securities	136,610	133,309	135,125	131,939
Purchase of transport vehicles	214,068	281,753	104,790	145,244
Working capital	1,931,637	1,864,785	1,455,870	1,247,750
Merger and acquisition	51,242	152,701	51,242	152,701
Other purpose	738,825	759,709	18,220	21,680
Gross impaired loans, advances and financing	<u>6,317,152</u>	<u>6,188,099</u>	<u>4,134,551</u>	<u>3,930,558</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

(ix) Credit impaired/impaired loans, advances and financing by geographical distribution:

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	3,533,099	3,224,042	3,093,066	2,841,864
Indonesia	160,389	157,615	160,389	157,615
Thailand	1,669,515	1,806,331	-	-
Singapore	676,323	710,639	676,323	710,639
United Kingdom	8,462	7,499	8,462	7,499
China	16,051	23,234	16,051	23,234
Other countries	253,313	258,739	180,260	189,707
Gross impaired loans, advances and financing	<b>6,317,152</b>	<b>6,188,099</b>	<b>4,134,551</b>	<b>3,930,558</b>

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

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Primary agriculture	59,599	44,315	52,576	41,549
Mining and quarrying	1,005,998	623,364	1,003,220	620,836
Manufacturing	795,068	1,025,532	162,985	158,118
Electricity, gas and water supply	22,895	552	726	552
Construction	175,409	130,837	140,463	117,424
Transport, storage and communications	1,117,145	1,261,984	1,054,174	1,191,741
Education, health and others	174,597	176,651	100,631	103,827
Wholesale and retail trade, and restaurants and hotels	615,999	745,550	230,463	372,889
Finance, insurance/takaful, real estate and business activities	481,067	434,930	239,652	182,638
Household	1,861,832	1,737,341	1,142,120	1,136,289
Others	7,543	7,043	7,541	4,695
Gross credit impaired / impaired loans, advances and financing	<b>6,317,152</b>	<b>6,188,099</b>	<b>4,134,551</b>	<b>3,930,558</b>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

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

The Group	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Individual impairment provision under MFRS 139 RM'000	Portfolio impairment provision under MFRS 139 RM'000	Total RM'000
<b>At 1 January 2018</b>	-	-	-	-	2,464,883	1,773,511	4,238,394
Effect of adopting MFRS 9 and reclassification	1,025,503	763,907	3,355,289	7,561	(2,464,883)	(1,773,511)	913,866
<b>Adjusted 1 January 2018</b>	1,025,503	763,907	3,355,289	7,561	-	-	5,152,260
Changes in expected credit losses due to transferred within stages:	946,410	(800,647)	(145,763)	-	-	-	-
Transferred to Stage 1	1,370,646	(1,062,010)	(308,636)	-	-	-	-
Transferred to Stage 2	(370,278)	713,725	(343,447)	-	-	-	-
Transferred to Stage 3	(53,958)	(452,362)	506,320	-	-	-	-
<b>Total charge to Income Statement:</b>	(759,279)	679,858	1,186,919	(3,121)	-	-	1,104,377
New financial assets originated	619,018	12,505	79,382	-	-	-	710,905
Financial assets that have been derecognised	(397,046)	(101,080)	-	-	-	-	(498,126)
Writeback in respect of full recoveries	-	-	(144,189)	-	-	-	(144,189)
Change in credit risk	(981,251)	768,433	1,251,726	(3,121)	-	-	1,035,787
Write-offs	(1,931)	(225)	(1,005,614)	(2,011)	-	-	(1,009,781)
Exchange fluctuation	5,628	5,427	33,463	123	-	-	44,641
Transfer from related companies	49	51	792	-	-	-	892
Other movements	(287)	11,409	(241,106)	-	-	-	(229,984)
<b>At 31 December 2018</b>	1,216,093	659,780	3,183,980	2,552	-	-	5,062,405

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

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

<b>The Bank</b>	<b>12-month expected credit losses (Stage 1) RM'000</b>	<b>Lifetime expected credit losses - not credit impaired (Stage 2) RM'000</b>	<b>Lifetime expected credit losses - Credit impaired (Stage 3) RM'000</b>	<b>Individual impairment provision under MFRS 139 RM'000</b>	<b>Portfolio impairment provision under MFRS 139 RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018</b>	-	-	-	1,643,137	974,541	2,617,678
Effect of adopting MFRS 9	702,566	478,824	2,239,192	(1,643,137)	(974,541)	802,904
<b>Adjusted 1 January 2018</b>	702,566	478,824	2,239,192	-	-	3,420,582
Changes in expected credit losses due to transferred within stages:	630,749	(496,364)	(134,385)	-	-	-
Transferred to Stage 1	883,127	(683,135)	(199,992)	-	-	-
Transferred to Stage 2	(202,020)	449,963	(247,943)	-	-	-
Transferred to Stage 3	(50,358)	(263,192)	313,550	-	-	-
<b>Total charge to Income Statement:</b>	(573,492)	455,651	638,798	-	-	520,957
New financial assets originated	339,194	1,228	24,879	-	-	365,301
Financial assets that have been derecognised	(251,885)	(66,123)	-	-	-	(318,008)
Writeback in respect of full recoveries	-	-	(37,808)	-	-	(37,808)
Change in credit risk	(660,801)	520,546	651,727	-	-	511,472
Write-offs	(706)	(99)	(581,855)	-	-	(582,660)
Exchange fluctuation	1,208	206	2,264	-	-	3,678
Transfer from related companies	49	51	792	-	-	892
Other movements	(973)	5,224	34,811	-	-	39,062
<b>At 31 December 2018</b>	759,401	443,493	2,199,617	-	-	3,402,511

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

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

	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>Individual impairment allowance</b>		
At 1 January 2017	2,350,633	1,610,822
Net allowance made during the financial year	713,087	250,233
Amount written off	(229,148)	(185,053)
Sale of impaired loans	(323,132)	-
Exchange fluctuation	(46,557)	(32,865)
At 31 December 2017	<u>2,464,883</u>	<u>1,643,137</u>
<b>Portfolio impairment allowance</b>		
At 1 January 2017	1,977,802	1,100,176
Net allowance made during the financial year	778,441	375,862
Amount written off	(869,500)	(495,914)
Amount transferred from a subsidiary	-	73
Sale of impaired loans	(96,292)	-
Exchange fluctuation	(16,940)	(5,656)
At 31 December 2017	<u>1,773,511</u>	<u>974,541</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.29%</u>	<u>1.20%</u>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

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

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

**The Group**

	<b>Lifetime expected credit losses - Credit impaired (Stage 3) RM'000</b>	<b>Purchased credit impaired RM'000</b>	<b>Impaired loans under MFRS 139 RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018</b>	-	-	6,188,099	6,188,099
Effect of adopting MFRS 9	6,301,507	9,431	(6,188,099)	122,839
<b>Adjusted 1 January 2018</b>	6,301,507	9,431	-	6,310,938
Transfer within stages	1,976,739	-	-	1,976,739
Transferred to Stage 1	(1,050,474)	-	-	(1,050,474)
Transferred to Stage 2	(1,071,105)	-	-	(1,071,105)
Transferred to Stage 3	4,098,318	-	-	4,098,318
New financial assets originated	126,638	-	-	126,638
Write-offs	(1,005,614)	(2,011)	-	(1,007,625)
Amount fully recovered	(303,418)	-	-	(303,418)
Other changes in loans, advances and financing	(846,489)	(101)	-	(846,590)
Transfer from related companies	2,788	-	-	2,788
Exchange fluctuation	57,448	234	-	57,682
<b>At 31 December 2018</b>	6,309,599	7,553	-	6,317,152

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)**

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

Gross carrying amount movement of loans, advances and financing at amortised cost classified as credit impaired: (Continued)

	The Bank		
	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Impaired loans under MFRS 139 RM'000	Total RM'000
	<b>At 1 January 2018</b>	-	3,930,558
Effect of adopting MFRS 9	3,930,558	(3,930,558)	-
<b>Adjusted 1 January 2018</b>	<b>3,930,558</b>	<b>-</b>	<b>3,930,558</b>
Transfer within stages	1,033,710	-	1,033,710
Transferred to Stage 1	(672,061)	-	(672,061)
Transferred to Stage 2	(778,301)	-	(778,301)
Transferred to Stage 3	2,484,072	-	2,484,072
New financial assets originated	35,344	-	35,344
Write-offs	(581,855)	-	(581,855)
Amount fully recovered	(74,412)	-	(74,412)
Other changes in loans, advances and financing	(219,652)	-	(219,652)
Transfer from related companies	2,788	-	2,788
Exchange fluctuation	8,070	-	8,070
<b>At 31 December 2018</b>	<b>4,134,551</b>	<b>-</b>	<b>4,134,551</b>
	<b>The Group</b>	<b>The Bank</b>	
Ratio of credit impaired loans to total loans, advances and financing	<b>2.18%</b>	<b>2.22%</b>	

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****11 Loans, advances and financing (Continued)****Impact of movements in gross carrying amount on expected credit losses**

Stage 1 expected credit losses (“ECL”) decreased by RM759 million and RM573 million for the Group and the Bank respectively during the financial year mainly due to derecognition of gross carrying amounts (“GCA”) for loans, advances and financing from full settlement, write-back of ECL from lower GCA from partial settlement and lower ECL for GCA transferred from stage 2 to stage 1, offset by recognition of GCA from newly originated loans, advances and financing.

Stage 2 ECL increased by RM680 million and RM456 million for the Group and the Bank respectively mainly due to higher ECL for GCA transferred from stage 1 to stage 2.

Stage 3 ECL increased by RM1,184 million and RM639 million for the Group and the Bank respectively mainly due to higher ECL for GCA transferred from stage 1 and 2 to stage 3.

The write-off loans with a total GCA of RM1,008 million and RM582 million for the Group and the Bank respectively resulted in the reduction of the stage 3 ECL by the same amount.

**Impaired loans under MFRS 139:**

	<b>The Group</b>	<b>The Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2017	5,585,752	3,483,449
Classified as impaired during the financial period/year	5,381,049	3,175,844
Reclassified as not impaired during the financial period/year	(1,813,509)	(1,300,934)
Amount written back in respect of recoveries	(1,065,227)	(713,133)
Amount written off	(1,098,983)	(680,334)
Sale of impaired loans	(754,596)	-
Exchange fluctuation	(46,387)	(34,334)
At 31 December 2017	<u>6,188,099</u>	<u>3,930,558</u>
Ratio of gross impaired loans to total loans, advances and financing	<u>2.33%</u>	<u>2.19%</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****12 Other assets**

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Foreclosed assets, net of allowance for impairment losses of RM19,550,000 (2017: RM19,045,000)	(a)	<b>108,874</b>	105,549	-	-
Due from brokers and clients		<b>74,822</b>	193,136	<b>74,822</b>	193,136
Structured financing		<b>1,187,605</b>	1,393,843	<b>1,187,605</b>	1,393,843
Collateral pledged for derivative transactions		<b>2,656,412</b>	2,881,523	<b>2,023,495</b>	2,451,770
Collateral for securities borrowing		-	65,702	-	65,702
Other debtors net of expected credit losses/allowance for doubtful debts*, deposits and prepayments	(b)	<b>4,099,662</b>	4,732,924	<b>3,366,887</b>	4,028,114
		<b>8,127,375</b>	9,372,677	<b>6,652,809</b>	8,132,565

\* net of lifetime expected credit losses/allowance for doubtful debts of RM10,626,000 (2017: RM12,835,000) for the Group and RM6,683,000 (2017: RM9,464,000) for the Bank

- (a) Movements of allowance on impairment for foreclosed assets during the financial year are as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>At 1 January</b>	<b>19,045</b>	32,147	-	-
Net allowance made during the financial year	<b>5,872</b>	6,078	-	-
Disposed during the financial year	<b>(5,841)</b>	(19,193)	-	-
Exchange difference	<b>474</b>	13	-	-
<b>At 31 December</b>	<b>19,550</b>	19,045	-	-

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

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****12 Other assets (Continued)**

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

	<b>The Group</b> <b>2018</b> <b>RM'000</b>	<b>The Bank</b> <b>2018</b> <b>RM'000</b>
<b>At 1 January 2018</b>	<b>12,835</b>	<b>9,464</b>
Effect of adopting MFRS 9	-	-
<b>Adjusted 1 January 2018</b>	<b>12,835</b>	<b>9,464</b>
Net expected credit losses written-back during the financial year	<b>(2,064)</b>	<b>(2,779)</b>
Disposal of a subsidiary	<b>(150)</b>	-
Exchange difference	<b>5</b>	<b>(2)</b>
<b>At 31 December 2018</b>	<b>10,626</b>	<b>6,683</b>
	<b>The Group</b> <b>2017</b> <b>RM'000</b>	<b>The Bank</b> <b>2017</b> <b>RM'000</b>
At 1 January 2017	14,390	11,351
Net allowance written-back during the financial year	(1,552)	(1,884)
Exchange difference	(3)	(3)
At 31 December 2017	12,835	9,464

**13 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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b> <b>RM'000</b>	2017 RM'000	<b>2018</b> <b>RM'000</b>	2017 RM'000
Deferred tax assets	<b>737,309</b>	333,851	<b>514,806</b>	111,658
Deferred tax liabilities	-	(2,639)	-	-
	<b>737,309</b>	331,212	<b>514,806</b>	111,658

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****13 Deferred taxation (Continued)**

Further breakdown are as follows:

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Deferred tax assets (before offsetting)</b>				
Expected credit losses	376,884	105,893	232,663	-
Property, plant and equipment	34,398	8,229	24,820	6,365
Fair value reserve - Debt instruments at fair value through other comprehensive income	36,007	-	33,996	-
Post employment benefit obligations	34,894	35,534	-	-
Provision for expenses	280,297	275,493	246,306	243,449
Cash flow hedge	-	6	-	34
Other temporary differences	46,868	80,203	45,808	35,203
	<b>809,348</b>	<b>505,358</b>	<b>583,593</b>	<b>285,051</b>
Offsetting	(72,039)	(171,507)	(68,787)	(173,393)
<b>Deferred tax assets (after offsetting)</b>	<b>737,309</b>	<b>333,851</b>	<b>514,806</b>	<b>111,658</b>
<b>Deferred tax liabilities (before offsetting)</b>				
Fair value reserve- Equity instruments at fair value through other comprehensive income	(32,399)	-	(32,399)	-
Revaluation reserve - financial investments available-for-sale	-	(126,635)	-	(127,738)
Intangible assets	(38,065)	(47,511)	(36,318)	(45,655)
Cash flow hedge	(1,575)	-	(70)	-
	<b>(72,039)</b>	<b>(174,146)</b>	<b>(68,787)</b>	<b>(173,393)</b>
Offsetting	72,039	171,507	68,787	173,393
<b>Deferred tax liabilities (after offsetting)</b>	<b>-</b>	<b>(2,639)</b>	<b>-</b>	<b>-</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****13 Deferred taxation (Continued)**

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

The Group	Note	Expected credit losses	Accelerated tax depreciation	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Revaluation reserve- financial investments available-for-sale	Intangible assets	Post employment benefit obligations	Provision for expenses	Cash flow hedge	Other temporary differences	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Deferred tax assets/(liabilities)</b>												
At 1 January 2018		105,893	8,229	-	-	(126,635)	(47,511)	35,534	275,493	6	80,203	331,212
Effect of adopting MFRS 9 and reclassification		8,360	(594)	41,218	(12,620)	126,635	-	-	3,850	-	(32,827)	134,022
1 January 2018, as restated		114,253	7,635	41,218	(12,620)	-	(47,511)	35,534	279,343	6	47,376	465,234
Credited to statements of income	46	260,742	28,201	-	-	-	9,480	330	3,938	-	(478)	302,213
Over/(under) provision in prior financial year		(58)	(1,438)	-	-	-	(34)	-	(3,169)	-	(259)	(4,958)
Transferred to equity		-	-	(5,149)	(19,770)	-	-	(1,858)	-	(1,615)	-	(28,392)
Disposal of a subsidiary		-	(1)	-	-	-	-	-	(86)	-	(223)	(310)
Exchange difference		1,947	1	(62)	(9)	-	-	888	271	34	452	3,522
At 31 December 2018		376,884	34,398	36,007	(32,399)	-	(38,065)	34,894	280,297	(1,575)	46,868	737,309

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****13 Deferred taxation (Continued)**

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

The Group	Note	Individual impairment allowance/ Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Intangible assets RM'000	Provision for expenses RM'000	Post employment benefit obligations RM'000	Cash flow hedge RM'000	Other temporary differences RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>										
At 1 January 2017		87,131	(17,215)	(80,887)	(58,146)	265,627	37,313	2,793	74,005	310,621
Credited to statements of income	46	19,859	25,354	-	11,226	7,640	501	-	6,848	71,428
Over/(under) provision in prior financial year		-	290	-	(591)	2,046	-	-	-	1,745
Transferred to equity		-	-	(45,906)	-	-	(2,009)	(2,797)	-	(50,712)
Exchange difference		(1,097)	(200)	158	-	180	(271)	10	(650)	(1,870)
At 31 December 2017		105,893	8,229	(126,635)	(47,511)	275,493	35,534	6	80,203	331,212



# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 13 Deferred taxation (Continued)

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

The Bank	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Other temporary differences RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>											
At 1 January 2018		-	6,365	-	-	(127,738)	(45,655)	243,449	34	35,203	111,658
Effect of adopting MFRS 9		-	-	39,744	(12,246)	127,738	-	-	-	-	155,236
1 January 2018, as restated		-	6,365	39,744	(12,246)	-	(45,655)	243,449	34	35,203	266,894
Credited to statements of income	46	232,663	19,787	-	-	-	9,337	5,867	-	10,954	278,608
Over/(under) provision in prior financial year		-	(1,332)	-	-	-	-	(3,169)	-	(74)	(4,575)
Transferred to equity		-	-	(5,751)	(20,153)	-	-	-	(104)	-	(26,008)
Exchange difference		-	-	3	-	-	-	159	-	(275)	(113)
At 31 December 2018		232,663	24,820	33,996	(32,399)	-	(36,318)	246,306	(70)	45,808	514,806

The Bank	Note	Portfolio impairment allowance RM'000	Accelerated tax depreciation RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Other temporary differences RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>									
At 1 January 2017		97	(13,235)	(95,332)	(56,524)	236,933	2,613	33,530	108,082
(Charged)/credited to statements of income	46	(97)	19,346	-	10,869	4,300	-	1,673	36,091
Over provision in prior financial year		-	254	-	-	1,937	-	-	2,191
Transferred to equity		-	-	(32,406)	-	-	(2,579)	-	(34,985)
Exchange fluctuation		-	-	-	-	279	-	-	279
At 31 December 2017		-	6,365	(127,738)	(45,655)	243,449	34	35,203	111,658

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****14 Statutory deposits with central banks**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Statutory deposits with				
- Bank Negara Malaysia	6,111,142	5,643,049	4,034,520	4,088,463
- Other central banks	2,027,931	2,987,315	1,280,766	2,415,178
	<u>8,139,073</u>	<u>8,630,364</u>	<u>5,315,286</u>	<u>6,503,641</u>

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

**15 Amounts due from holding company and ultimate holding company**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Amounts due from:				
- ultimate holding company	2,344	1,250	2,344	1,250
- holding company	17	1,977	17	1,977
	<u>2,361</u>	<u>3,227</u>	<u>2,361</u>	<u>3,227</u>

The amounts due from holding company and ultimate holding company are unsecured, interest free and callable on demand.

**16 Amounts due from/(to) subsidiaries**

	The Bank	
	2018	2017
	RM'000	RM'000
Amounts due from subsidiaries	<u>5,051</u>	<u>63,827</u>
Amounts due to subsidiaries	<u>(93,917)</u>	<u>(12,555)</u>

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****17 Amounts due from/(to) related companies**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Amounts due from related companies	<b>1,077,762</b>	1,107,017	<b>1,076,218</b>	1,105,782
Amounts due to related companies	<b>(2,460)</b>	(13,267)	<b>(1,177)</b>	(10,308)

Included in amount due from related companies is an amount of RM1,004,758,000 (2017: RM1,060,030,000) due from PCSB. With the adoption of MFRS 139 on 1 January 2010, hire-purchase receivables belonging to PCSB were de-recognised from the Group's and the Bank's loans, advances and financing as the risks and rewards relating to the cash flows of these hire purchase receivables have been substantially transferred to PCSB.

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

**18 Investments in subsidiaries**

	<b>The Bank</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
Unquoted shares, at cost		
- ordinary shares	<b>6,335,514</b>	5,826,331
- preference shares	<b>220,000</b>	220,000
	<b>6,555,514</b>	6,046,331
Fair values arising from fair value hedge	<b>(7,188)</b>	(26,206)
Less: Allowance for impairment losses	<b>(17,194)</b>	(17,194)
	<b>6,531,132</b>	6,002,931

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

	<b>The Bank</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
At 1 January/31 December	<b>17,194</b>	17,194

## **CIMB Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **18 Investments in subsidiaries (Continued)**

(a) Additional investment in subsidiaries

- (i) On 13 February 2018, the Bank completed the capital injection of USD6.2 million into new ordinary shares of CIMB Bank PLC. The new ordinary shares were issued by CIMB Bank PLC at an issue price of USD1 each to the Bank.
- (ii) On 4 September 2018, CIMB Thai Bank, a subsidiary of the Bank, announced a proposed increase of its registered capital by THB3,951,569,703 via a proposed 3-for-20 rights offering of 4,542,034,141 new ordinary shares at the par value of THB0.50 per share, at an offering price of THB0.87 per share. The exercise was completed on 19 October 2018 and CIMB Thai Bank successfully raised a total capital of approximately THB4.0 billion.

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****18 Investments in subsidiaries (Continued)**

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		2018 %	2017 %	2018 %	2017 %
CIMB Group Nominees Sdn. Bhd.	Provision of nominee services	100	100	-	-
CIMB Group Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	100	100	-	-
CIMB Group Nominees (Asing) Sdn. Bhd.	Provision of nominee services	100	100	-	-
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
BC Management Services Ltd. (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
Mutiara Aset Berhad	Financial services	100	100	-	-
CIMB Islamic Trustee Berhad	Trustee to unit trust funds, public debt financing issues and private trusts and other corporate trusts	20	20	40	40
CIMB Trust Limited (Incorporated in the Federal Territory of Labuan)	Trustee services	100	100	-	-
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	100	100	-	-
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Carrying on business of a Labuan bank	100	100	-	-
Semerak Services Sdn. Bhd.	Provide security, maintenance and other related services	-	100	-	-
iCIMB (Malaysia) Sdn. Bhd.	Provision of outsourcing services	100	100	-	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****18 Investments in subsidiaries (Continued)**

(b) The subsidiaries of the Bank are as follows: (Continued)

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		2018 %	2017 %	2018 %	2017 %
CIMB Islamic Bank Berhad	Islamic banking and related financial services	100	100	-	-
S.B. Venture Capital Corporation Sdn. Bhd.	Investment holding and provision of management services	100	100	-	-
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	-	-	100	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Provision of nominee services	-	-	100	100
CIMB Commerce Trustee Berhad	Provision of trustee, custodian and nominee services	20	20	40	40
S.B. Properties Sdn. Bhd.	Property ownership and management	100	100	-	-
BHLB Properties Sdn. Bhd.	To own and manage premises and other immovable properties	100	100	-	-
SIBB Berhad	Investment dealing	80	80	-	-
Perdana Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	-	-	80	80
SFB Auto Berhad	Financial services	100	100	-	-
SFB Development Sdn. Bhd.	Property investment	100	100	-	-
CIMB Nominees (S) Pte. Ltd. (Incorporated in Republic of Singapore) <sup>a</sup>	Provision of nominee services	100	100	-	-
SBB Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	100	100	-	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****18 Investments in subsidiaries (Continued)**

(b) The subsidiaries of the Bank are as follows: (Continued)

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		2018	2017	2018	2017
		%	%	%	%
CIMB Thai Bank Public Company Limited (Incorporated in the Kingdom of Thailand) <sup>a</sup>	Commercial Banking	94.83	94.11	-	-
Commerce Returns Berhad <sup>^</sup> #	Investment holding	100	100	-	-
CIMB Bank PLC (Incorporated in Cambodia) <sup>a</sup>	Commercial banking and related financial services	100	100	-	-
CIMB Bank (Vietnam) Limited (Incorporated in Vietnam) <sup>a</sup>	Banking activities	100	100	-	-
Merdeka Kapital Berhad	Engaged in the purchase from multi originators of receivables and the raising of funds and related activities	**	**	-	-
Ziya Capital Bhd	Implementing and carrying out an asset-backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	-	-	**	**

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

Name	Principal activities	Percentage of equity held:			
		Directly by the Bank		Through subsidiary company	
		2018	2017	2018	2017
		%	%	%	%
CT Coll Company Limited (Incorporated in the Kingdom of Thailand) <sup>a</sup>	Services of debt collection and debt restructuring	-	-	99.99	99.99
CIMB Thai Auto Co. Ltd (formerly known as Centre Auto Lease Company Limited) (Incorporated in the Kingdom of Thailand) <sup>a</sup>	Hire purchase sale & leaseback and financial lease	-	-	99.99	99.99
Worldlease Company Limited (Incorporated in the Kingdom of Thailand) <sup>a</sup>	Hire purchase of motorcycles	-	-	99.99	99.99
PC Pattanasup Company Limited (Incorporated in the Kingdom of Thailand) <sup>#</sup>	Dormant	-	-	99.93	99.93

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **18 Investments in subsidiaries (Continued)**

(b) The subsidiaries of the Bank are as follows: (Continued)

- α Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT
- \*\* The silo of Merdeka Kapital Berhad and Ziya Capital Bhd are consolidated pursuant to MFRS 10 and not audited by PricewaterhouseCoopers PLT
- ^ Consolidated in the Group as the substance of the relationship between the entity and the Bank indicates that the entity is controlled by the Bank
- # in the strike off process

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

(c) Consolidation of the silo of Merdeka Kapital Berhad

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

On 31 March 2017, the Bank obtained new funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad (“MKB”).

(d) Consolidation of the silo of Ziya Capital Bhd

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



**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****18 Investments in subsidiaries (Continued)**

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

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

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non- controlling interests		Accumulated non-controlling interests	
	2018	2017	2018	2017	2018	2017
	%	%	RM'000	RM'000	RM'000	RM'000
CIMB Thai Bank Public Company Limited and its subsidiaries (incorporated in the Kingdom of Thailand)	5.17	5.89	14,935	5,205	248,307	236,613
Individually immaterial subsidiaries with non-controlling interests					21,952	19,898
					<u>270,259</u>	<u>256,511</u>

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

	CIMB Thai Bank Public Company Limited Group	
	2018	2017
	RM'000	RM'000
Total assets	45,457,405	37,188,183
Total liabilities	(40,634,692)	(33,173,350)
Net assets	<u>4,822,713</u>	<u>4,014,833</u>
	Year ended 31 December	
	2018	2017
	RM'000	RM'000
Revenue	<u>1,659,388</u>	<u>1,716,745</u>
Profit before taxation	348,019	93,450
Taxation	(92,723)	(13,644)
Other comprehensive income	97,821	25,873
Total comprehensive income	<u>353,117</u>	<u>105,679</u>
Profit allocated to non-controlling interest	<u>14,935</u>	<u>5,205</u>
Net cash generated from/(used in) operating activities	2,369,890	(2,461,466)
Net cash (used in)/generated from investing activities	(4,382,732)	1,831,208
Net cash generated from financing activities	<u>1,959,977</u>	<u>593,801</u>
Net decrease in cash and cash equivalents	<u>(52,865)</u>	<u>(36,457)</u>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****18 Investments in subsidiaries (Continued)**

- (f) Effect of change in ownership interest in subsidiary that do not result in loss of control

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

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

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

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

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****18 Investments in subsidiaries (Continued)**

(g) Unconsolidated structured entity (“USE”):

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

**Investment Vehicle**

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

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

The following table shows the carrying amount of the Group’s and the Bank’s interest recognised in the statements of financial position as well as the maximum exposure to loss resulting from these interests. It also provides an indication of the size of the structured entities.

	Carrying amount as at	
	2018	2017
	<b>Investment Vehicle RM'000</b>	Investment Vehicle RM'000
Equity instruments at fair value through other comprehensive income/ Financial investments available-for-sale	77,421	77,330
<b>Total assets</b>	<b>77,421</b>	<b>77,330</b>
	<b>2018</b>	2017
	<b>Investment Vehicle RM'000</b>	Investment Vehicle RM'000
<b>Assets size of structured entity*</b>	<b>3,966,507</b>	4,197,981

\* Where the Bank does not have control over the USE, the assets size of the USE is based on the Bank’s best estimates.

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 18 Investments in subsidiaries (Continued)

(g) Unconsolidated structured entity (“USE”): (Continued)

(iii) Income from structured entity

	<b>Income recognised in the statements of income for the financial year ended 2018</b>	
	<b>Dividend income RM'000</b>	<b>Total RM'000</b>
Investment Vehicle	976	976
	<u>976</u>	<u>976</u>
	 Income recognised in the statements of income for the financial year ended 2017	
	<b>Dividend income RM'000</b>	<b>Total RM'000</b>
Investment Vehicle	4,000	4,000
	<u>4,000</u>	<u>4,000</u>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****19 Investment in joint venture**

	<b>The Group</b>	
	<b>2018</b>	2017
At 1 January	<b>RM'000</b>	RM'000
Share of profit	<b>169,688</b>	165,029
At 31 December	<b>2,176</b>	4,659
	<b>171,864</b>	169,688

	<b>The Bank</b>	
	<b>2018</b>	2017
Unquoted shares, at cost	<b>RM'000</b>	RM'000
	<b>125,000</b>	125,000

**(a) Information about joint venture:**

The principal place of business and country of incorporation of the joint venture is Malaysia. The joint venture is measured using the equity method. There is no available quoted market price of the investment in the joint venture.

The direct joint venture of the Bank is:

<b>Name</b>	<b>Principal activity</b>	<b>Percentage of equity held</b>	
		<b>2018</b>	2017
		%	%
Proton Commerce Sdn. Bhd.	Financing of vehicles	<b>50</b>	50

On 22 October 2003, Bumiputra-Commerce Finance Berhad (“BCF”) (now known as Mutiara Aset Berhad) entered into a joint venture agreement with Proton Edar Sdn. Bhd. (“PESB”) for the purposes of building and operating a competitive vehicle financing business in Malaysia for vehicles distributed by PESB. Subsequently, a joint venture was incorporated under the name of Proton Commerce Sdn. Bhd. (“PCSB”) which is 50%:50% owned by BCF and PESB respectively. PCSB is primarily responsible for developing, managing and marketing hire purchase loans for vehicles sold to the customers of PESB. Pursuant to the joint venture, BCF issued RM200 million Perpetual Preference Shares (“PPS”) which were fully subscribed by PCSB. Pursuant to the vesting of the finance company business and the related assets and liabilities of BCF to the Bank and the subsequent capital reduction exercise undertaken by BCF in 2006, the BCF PPS were cancelled, and the Bank issued RM200 million PPS to PCSB.

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****19 Investment in joint venture (Continued)**

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

	<b>PCSB</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
Non-current assets	<b>1,275,906</b>	1,324,956
Current assets	<b>545,817</b>	899,319
Current liabilities (non-trade)	<b>(1,475,519)</b>	(1,600,878)
Non-current liabilities (non-trade)	<b>(2,477)</b>	(284,022)
Net assets	<b>343,727</b>	339,375
The above amounts of assets include the following:		
Cash and cash equivalents	<b>8,969</b>	326,702
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
Revenue	<b>74,656</b>	84,382
Profit for the financial year/Total comprehensive income for the financial year	<b>4,352</b>	9,317
The above profit for the financial year include the following:		
Interest income	<b>65,653</b>	72,277
Interest expense	<b>(40,132)</b>	(46,360)
Taxation	<b>(1,792)</b>	(3,675)

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

	<b>PCSB</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
Opening net assets as at 1 January	<b>339,375</b>	330,058
Profit for the financial year	<b>4,352</b>	9,317
Closing net assets as at 31 December	<b>343,727</b>	339,375
Interest in joint venture	<b>50%</b>	50%
Interest in joint venture (RM'000)	<b>171,864</b>	169,688

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****20 Goodwill**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cost</b>				
At 1 January	5,181,536	5,192,198	3,559,075	3,559,075
Exchange fluctuation	36,302	(10,662)	-	-
At 31 December	<u>5,217,838</u>	<u>5,181,536</u>	<u>3,559,075</u>	<u>3,559,075</u>
<b>Impairment</b>				
At 1 January/31 December	(4,000)	(4,000)	(4,000)	(4,000)
<b>Net book value at 31 December</b>	<u>5,213,838</u>	<u>5,177,536</u>	<u>3,555,075</u>	<u>3,555,075</u>

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

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

A segment-level summary of the goodwill allocation is presented below:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Retail Financial Services	1,262,272	1,262,272	1,262,272	1,262,272
Commercial Banking	911,000	911,000	911,000	911,000
Corporate Banking	419,000	419,000	419,000	419,000
Islamic Banking	136,000	136,000	-	-
Group Cards	425,803	425,803	425,803	425,803
Treasury	537,000	537,000	537,000	537,000
Foreign Banking operations	1,199,277	1,199,277	-	-
Goodwill	4,890,352	4,890,352	3,555,075	3,555,075
Exchange fluctuation	323,486	287,184	-	-
	<u>5,213,838</u>	<u>5,177,536</u>	<u>3,555,075</u>	<u>3,555,075</u>

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **20 Goodwill (Continued)**

##### **Impairment test for goodwill**

###### Value-in-use

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2019 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product (“GDP”) growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 4.27% (2017: 4.20%) for all cash generating units other than foreign banking operations which has used a terminal growth rate of 2.00% (2017: 2.00%). The cash flow projections are derived based on a number of key factors including the past performance and management’s expectation of market developments. The discount rates used in determining the recoverable amount of all the CGUs is 7.47% (2017: 6.92%) and 4.88% (2017: 5.05%) for the foreign banking operations CGU. The discount rates are pre-tax and reflects the specific risks relating to the CGUs.

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

##### **Impairment charge**

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



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****21 Intangible assets**

<b>The Group 2018</b>	<b>Note</b>	<b>Customer relationships RM'000</b>	<b>Core deposits RM'000</b>	<b>Computer software RM'000</b>	<b>Licence fee RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>						
At 1 January		163,568	264,662	2,488,018	361	2,916,609
Additions		-	-	82,036	-	82,036
Disposals/write-off		-	-	(15,353)	-	(15,353)
Reclassified from property, plant and equipment	23	-	-	156,759	-	156,759
Exchange fluctuation		18	-	5,729	9	5,756
At 31 December		<u>163,586</u>	<u>264,662</u>	<u>2,717,189</u>	<u>370</u>	<u>3,145,807</u>

**Amortisation and impairment**

At 1 January		157,194	264,662	1,492,139	361	1,914,356
Amortisation during the financial year		6,375	-	206,645	-	213,020
Disposals/write-off		-	-	(2,494)	-	(2,494)
Reclassified from property, plant and equipment	23	-	-	650	-	650
Exchange fluctuation		17	-	4,962	9	4,988
At 31 December		<u>163,586</u>	<u>264,662</u>	<u>1,701,902</u>	<u>370</u>	<u>2,130,520</u>
<b>Net book value at 31 December 2018</b>		<u>-</u>	<u>-</u>	<u>1,015,287</u>	<u>-</u>	<u>1,015,287</u>

<b>The Group 2017</b>	<b>Note</b>	<b>Customer relationships RM'000</b>	<b>Core deposits RM'000</b>	<b>Computer software RM'000</b>	<b>Licence fee RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>						
At 1 January		163,576	264,662	2,328,732	364	2,757,334
Additions		-	-	60,540	-	60,540
Disposals/write-off		-	-	(40,540)	-	(40,540)
Reclassified from property, plant and equipment	23	-	-	148,038	-	148,038
Exchange fluctuation		(8)	-	(8,752)	(3)	(8,763)
At 31 December		<u>163,568</u>	<u>264,662</u>	<u>2,488,018</u>	<u>361</u>	<u>2,916,609</u>

**Amortisation and impairment**

At 1 January		144,439	264,662	1,340,197	364	1,749,662
Amortisation during the financial year		12,762	-	170,388	-	183,150
Disposals/write-off		-	-	(10,646)	-	(10,646)
Reclassified from property, plant and equipment	23	-	-	(1,210)	-	(1,210)
Exchange fluctuation		(7)	-	(6,590)	(3)	(6,600)
At 31 December		<u>157,194</u>	<u>264,662</u>	<u>1,492,139</u>	<u>361</u>	<u>1,914,356</u>
<b>Net book value at 31 December 2017</b>		<u>6,374</u>	<u>-</u>	<u>995,879</u>	<u>-</u>	<u>1,002,253</u>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****21 Intangible assets (Continued)**

	Note	Customer relationships RM'000	Core deposits RM'000	Computer software RM'000	Total RM'000
<b>The Bank</b>					
<b>2018</b>					
<b>Cost</b>					
At 1 January		153,091	263,612	2,141,189	2,557,892
Additions		-	-	25,901	25,901
Disposals/write-off		-	-	(13,675)	(13,675)
Reclassified from property, plant and equipment	23	-	-	164,218	164,218
Exchange fluctuation		-	-	204	204
At 31 December		<u>153,091</u>	<u>263,612</u>	<u>2,317,837</u>	<u>2,734,540</u>
<b>Amortisation</b>					
At 1 January		146,716	263,612	1,269,858	1,680,186
Amortisation during the financial year		6,375	-	181,669	188,044
Disposals/write-off		-	-	(1,772)	(1,772)
Exchange fluctuation		-	-	458	458
At 31 December		<u>153,091</u>	<u>263,612</u>	<u>1,450,213</u>	<u>1,866,916</u>
<b>Net book value at 31 December 2018</b>		<u>-</u>	<u>-</u>	<u>867,624</u>	<u>867,624</u>
<b>The Bank</b>					
<b>2017</b>					
<b>Cost</b>					
At 1 January		153,091	263,612	1,996,846	2,413,549
Additions		-	-	24,281	24,281
Disposals/write-off		-	-	(28,266)	(28,266)
Reclassified from property, plant and equipment	23	-	-	153,936	153,936
Exchange fluctuation		-	-	(5,608)	(5,608)
At 31 December		<u>153,091</u>	<u>263,612</u>	<u>2,141,189</u>	<u>2,557,892</u>
<b>Amortisation</b>					
At 1 January		133,954	263,612	1,127,411	1,524,977
Amortisation during the financial year		12,762	-	147,630	160,392
Disposals/write-off		-	-	(1,427)	(1,427)
Exchange fluctuation		-	-	(3,756)	(3,756)
At 31 December		<u>146,716</u>	<u>263,612</u>	<u>1,269,858</u>	<u>1,680,186</u>
<b>Net book value at 31 December 2017</b>		<u>6,375</u>	<u>-</u>	<u>871,331</u>	<u>877,706</u>

The above intangible assets include the software under construction at cost of the Group and the Bank of RM202,120,699 (2017: RM173,919,502) and RM181,150,686 (2017: RM150,300,266) respectively.

## **CIMB Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **21 Intangible assets (Continued)**

The valuation of customer relationships was determined through the sum of the discounted future excess earnings attributable to existing customers over the remaining life span of the customer relationships. Income from existing customer base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 9.9%-10.0%, which is arrived at using the weighted average cost of capital adjusted for the risk premium after taking into consideration the average market cost of equity.

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

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

Computer software	1 – 15 years
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**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****22 Prepaid lease payments**

	<b>Short term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>The Group 2018</b>		
<b>Cost</b>		
At 1 January	2,518	2,518
Disposals/write-off	(19)	(19)
Exchange fluctuation	52	52
At 31 December	<u>2,551</u>	<u>2,551</u>
<b>Amortisation</b>		
At 1 January	2,121	2,121
Amortisation during the financial year	10	10
Disposals/write-off	(19)	(19)
Exchange fluctuation	52	52
At 31 December	<u>2,164</u>	<u>2,164</u>
<b>Net book value at 31 December 2018</b>	<u>387</u>	<u>387</u>

	<b>Short term leasehold land RM'000</b>	<b>Total RM'000</b>
<b>The Group 2017</b>		
<b>Cost</b>		
At 1 January	2,533	2,533
Exchange fluctuation	(15)	(15)
At 31 December	<u>2,518</u>	<u>2,518</u>
<b>Amortisation</b>		
At 1 January	2,125	2,125
Amortisation during the financial year	10	10
Exchange fluctuation	(14)	(14)
At 31 December	<u>2,121</u>	<u>2,121</u>
<b>Net book value at 31 December 2017</b>	<u>397</u>	<u>397</u>

Future amortisation of prepaid land lease is as follows:

	<b>Short term leasehold land</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>The Group</b>		
- Not later than one year	10	10
- Later than one year and not later than five years	377	387
	<u>387</u>	<u>397</u>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****23 Property, plant and equipment**

The Group 2018	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, plant and machinery and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
<b>Cost</b>												
At 1 January		68,140	5,389	1,804	324,438	35,296	49,597	727,286	1,114,608	69,460	71,202	2,467,220
Additions		67,330	6,616	-	105,553	28,036	5,703	386,444	43,412	6,765	545	650,404
Disposals/write-offs		(560)	(643)	-	(5,195)	-	(1,676)	(30,408)	(154,919)	(23,565)	(10)	(216,976)
Reclassifications		-	-	-	-	-	-	(121,822)	132,682	-	(10,860)	-
Reclassified (to)/from intangible assets	21	-	-	-	-	-	-	(162,652)	5,893	-	-	(156,759)
Reclassified to non-current assets held for sale	58	-	(24)	-	(16,704)	(12,334)	-	-	-	-	-	(29,062)
Exchange fluctuation		1,377	-	-	4,453	(523)	854	3,927	4,541	691	(36)	15,284
At 31 December		136,287	11,338	1,804	412,545	50,475	54,478	802,775	1,146,217	53,351	60,841	2,730,111
<b>Accumulated depreciation</b>												
At 1 January		6,898	2,235	1,004	120,326	21,846	30,321	655,505	796,209	43,852	56,637	1,734,833
Charge for the financial year		-	323	-	5,904	1,070	8,427	45,803	93,721	14,482	4,969	174,699
Disposals/write-off		-	(331)	-	(1,077)	-	(2,077)	(28,458)	(32,703)	(22,079)	(10)	(86,735)
Reclassifications		-	-	-	-	-	-	2,628	-	-	(2,628)	-
Reclassified (to)/from intangible assets	21	-	-	-	-	-	-	-	(650)	-	-	(650)
Reclassified to non-current assets held for sale	58	-	(24)	-	(7,441)	(12,021)	-	-	-	-	-	(19,486)
Exchange fluctuation		171	-	-	2,344	(126)	659	2,968	4,457	469	(35)	10,907
At 31 December		7,069	2,203	1,004	120,056	10,769	37,330	678,446	861,034	36,724	58,933	1,813,568
Net book value at 31 December 2018		129,218	9,135	800	292,489	39,706	17,148	124,329	285,183	16,627	1,908	916,543

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****23 Property, plant and equipment (Continued)**

The Group 2017	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, plant and machinery and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
<b>Cost</b>												
As 1 January		69,726	5,073	1,804	330,269	35,463	55,017	779,737	1,069,073	92,535	60,873	2,499,570
Additions		-	1,200	-	-	375	4,479	223,723	105,056	9,237	2,569	346,639
Disposals/write-offs		(1,175)	(884)	-	(4,401)	(392)	(9,360)	(68,813)	(93,257)	(32,514)	(5,620)	(216,416)
Reclassifications		-	-	-	-	-	-	(44,322)	32,272	-	12,050	-
Reclassified (to)/from intangible assets	21	-	-	-	-	-	-	(154,059)	4,689	-	1,332	(148,038)
Exchange fluctuation		(411)	-	-	(1,430)	(150)	(539)	(8,980)	(3,225)	202	(2)	(14,535)
At 31 December		68,140	5,389	1,804	324,438	35,296	49,597	727,286	1,114,608	69,460	71,202	2,467,220
<b>Accumulated depreciation</b>												
At 1 January		6,948	2,450	1,004	122,934	21,459	33,042	648,855	786,390	58,525	54,422	1,736,029
Charge for the financial year		-	197	-	4,567	622	4,930	52,251	103,519	16,433	6,391	188,910
Disposals/write-off		-	(412)	-	(6,401)	(183)	(7,269)	(40,547)	(90,180)	(30,556)	(5,496)	(181,044)
Reclassified (to)/from intangible assets	21	-	-	-	-	-	-	(122)	-	-	1,332	1,210
Exchange fluctuation		(50)	-	-	(774)	(52)	(382)	(4,932)	(3,520)	(550)	(12)	(10,272)
At 31 December		6,898	2,235	1,004	120,326	21,846	30,321	655,505	796,209	43,852	56,637	1,734,833
Net book value at 31 December 2017		61,242	3,154	800	204,112	13,450	19,276	71,781	318,399	25,608	14,565	732,387

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****23 Property, plant and equipment (Continued)**

The Bank	Note	Renovations, office equipment, plant and machinery and fittings and hardware										Total
		Freehold land	Leasehold land 50 years or more	Leasehold land less than 50 years	Buildings on freehold land	Buildings on leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Computer equipment and hardware	Motor vehicles	Computer equipment and software under lease		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>												
At 1 January		12,689	5,389	1,804	52,423	35,040	12,315	541,412	924,458	40,137	12,344	1,638,011
Additions		67,330	6,616	-	105,553	28,036	-	368,906	37,963	2,666	37	617,107
Disposals/write-off		(260)	(643)	-	(1,120)	-	(446)	(14,870)	(148,191)	(18,364)	(10)	(183,904)
Reclassified to intangible assets	21	-	-	-	-	-	-	(164,218)	-	-	-	(164,218)
Reclassifications		-	-	-	-	-	-	(121,501)	132,557	-	(11,056)	-
Reclassified to non-current assets held for sale	58	-	(24)	-	(16,704)	(12,334)	-	-	-	-	-	(29,062)
Exchange fluctuation		-	-	-	(179)	(529)	-	(45)	114	2	(36)	(673)
At 31 December		<u>79,759</u>	<u>11,338</u>	<u>1,804</u>	<u>139,973</u>	<u>50,213</u>	<u>11,869</u>	<u>609,684</u>	<u>946,901</u>	<u>24,441</u>	<u>1,279</u>	<u>1,877,261</u>
<b>Accumulated depreciation</b>												
At 1 January		-	2,235	1,004	26,578	21,650	6,719	559,260	592,066	27,991	3,880	1,241,383
Charge for the financial year		-	323	-	2,785	1,064	2,152	30,578	83,958	10,385	39	131,284
Disposals/write off		-	(331)	-	(698)	-	(252)	(12,957)	(26,179)	(17,413)	(10)	(57,840)
Reclassifications		-	-	-	-	-	-	2,628	-	-	(2,628)	-
Reclassified to non-current assets held for sale	58	-	(24)	-	(7,441)	(12,021)	-	-	-	-	-	(19,486)
Exchange fluctuation		-	-	-	(49)	(130)	-	(36)	119	16	(35)	(115)
At 31 December		<u>-</u>	<u>2,203</u>	<u>1,004</u>	<u>21,175</u>	<u>10,563</u>	<u>8,619</u>	<u>579,473</u>	<u>649,964</u>	<u>20,979</u>	<u>1,246</u>	<u>1,295,226</u>
<b>Net book value at 31 December 2018</b>		<u>79,759</u>	<u>9,135</u>	<u>800</u>	<u>118,798</u>	<u>39,650</u>	<u>3,250</u>	<u>30,211</u>	<u>296,937</u>	<u>3,462</u>	<u>33</u>	<u>582,035</u>

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM71,202,776 for the Bank.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****23 Property, plant and equipment (Continued)**

The Bank 2017	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office	Computer equipment and hardware RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
								equipment, plant and machinery and fittings and hardware RM'000				
<b>Cost</b>												
At 1 January		12,999	5,073	1,804	52,999	35,179	17,038	577,079	876,927	56,399	11,596	1,647,093
Additions		-	1,200	-	-	375	-	204,810	94,228	2,495	762	303,870
Disposals/write-off		(310)	(884)	-	(535)	(392)	(4,723)	(51,673)	(77,854)	(18,692)	(12)	(155,075)
Reclassified to intangible assets	21	-	-	-	-	-	-	(153,936)	-	-	-	(153,936)
Reclassifications		-	-	-	-	-	-	(32,272)	32,272	-	-	-
Exchange fluctuation		-	-	-	(41)	(122)	-	(2,596)	(1,115)	(65)	(2)	(3,941)
At 31 December		12,689	5,389	1,804	52,423	35,040	12,315	541,412	924,458	40,137	12,344	1,638,011
<b>Accumulated depreciation</b>												
At 1 January		-	2,450	1,004	25,483	21,249	9,499	557,825	574,553	34,879	3,121	1,230,063
Charge for the financial year		-	197	-	1,351	615	1,255	36,374	93,341	10,413	783	144,329
Disposals/write off		-	(412)	-	(248)	(183)	(4,035)	(33,113)	(74,791)	(17,246)	(12)	(130,040)
Exchange fluctuation		-	-	-	(8)	(31)	-	(1,826)	(1,037)	(55)	(12)	(2,969)
At 31 December		-	2,235	1,004	26,578	21,650	6,719	559,260	592,066	27,991	3,880	1,241,383
Net book value at 31 December 2017		12,689	3,154	800	25,845	13,390	5,596	(17,848)	332,392	12,146	8,464	396,628

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of RM10,696,353 for the Bank.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****24 Deposits from customers**

## (a) By type of deposit

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>66,259,516</b>	66,164,099	<b>52,910,611</b>	53,684,177
Saving deposits	<b>29,110,587</b>	29,843,398	<b>18,977,167</b>	19,188,667
Fixed deposits	<b>142,848,736</b>	128,087,555	<b>102,728,543</b>	95,172,815
Negotiable instruments of deposit	<b>364,258</b>	845,652	-	-
Others	<b>80,659,792</b>	70,959,417	<b>42,956,391</b>	39,397,292
	<b>319,242,889</b>	295,900,121	<b>217,572,712</b>	207,442,951

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Due within six months	<b>111,662,573</b>	107,590,616	<b>80,778,463</b>	80,981,870
Six months to less than one year	<b>29,451,170</b>	20,232,288	<b>21,210,128</b>	13,370,391
One year to less than three years	<b>1,982,700</b>	678,297	<b>658,519</b>	424,298
Three years to less than five years	<b>116,486</b>	431,773	<b>81,433</b>	396,023
Five years and more	<b>65</b>	233	-	233
	<b>143,212,994</b>	128,933,207	<b>102,728,543</b>	95,172,815

## (b) By type of customer

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>10,536,300</b>	12,138,585	<b>6,464,822</b>	7,810,065
Business enterprises	<b>124,783,764</b>	114,310,971	<b>84,977,377</b>	80,482,589
Individuals	<b>128,220,755</b>	113,251,760	<b>91,490,240</b>	84,205,501
Others	<b>55,702,070</b>	56,198,805	<b>34,640,273</b>	34,944,796
	<b>319,242,889</b>	295,900,121	<b>217,572,712</b>	207,442,951

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****25 Investment accounts of customers**

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unrestricted investment accounts	59(s)	<b>1,769,270</b>	907,763	-	-
		<b>1,769,270</b>	907,763	-	-

**26 Deposits and placements of banks and other financial institutions**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Licensed banks	<b>16,325,226</b>	13,937,480	<b>16,937,369</b>	14,838,683
Licensed finance companies	<b>993,543</b>	1,223,313	<b>98,996</b>	92,360
Licensed investment banks	<b>211,519</b>	39,379	<b>182,086</b>	39,039
Bank Negara Malaysia	<b>292</b>	6,176	<b>292</b>	6,176
Other financial institutions	<b>1,777,276</b>	1,895,601	<b>557,548</b>	1,187,851
	<b>19,307,856</b>	17,101,949	<b>17,776,291</b>	16,164,109

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Due within six months	<b>18,575,404</b>	16,245,477	<b>17,310,411</b>	15,364,639
Six months to less than one year	<b>632,048</b>	755,408	<b>365,476</b>	699,038
One year to less than three years	<b>100,404</b>	632	<b>100,404</b>	-
Three years to less than five years	-	100,432	-	100,432
	<b>19,307,856</b>	17,101,949	<b>17,776,291</b>	16,164,109

The Group and the Bank have undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM100,000,000 (31 December 2017: RM124,867,000 and RM100,000,000) respectively using interest rate swaps.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****27 Financial liabilities designated at fair value through profit or loss**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits from customers - structured investments	<b>1,355,488</b>	1,903,205	<b>1,333,570</b>	1,900,972
Debentures	<b>1,873,520</b>	650,016	-	-
Bills payable	<b>2,651,699</b>	2,220,219	-	-
	<b>5,880,707</b>	4,773,440	<b>1,333,570</b>	1,900,972

The Group and the Bank have issued structured investments, bills payable and debentures and have designated them at fair value in accordance with MFRS 9. The Group and the Bank have the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of financial liabilities designated at fair value of the Group and the Bank at 31 December 2018 were RM147,262,000 (2017: RM282,365,000) and RM146,027,000 (2017: RM282,355,000) respectively lower than the contractual amount at maturity for the structured investments, RM31,214,000 (2017: RM18,142,000) lower than the contractual amount at maturity for the debentures and RM377,634,000 (2017: RM345,801,000) higher than the contractual amount at maturity for the bills payable.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments**

The following tables summarise the contractual underlying principal amounts of trading derivative and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the end of the reporting period, 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			The Bank		
	Principal	Fair values Assets	Liabilities	Principal	Fair values Assets	Liabilities
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	31,731,634	362,118	(526,124)	23,712,541	274,835	(455,071)
Currency swaps	278,087,968	1,484,488	(1,795,874)	127,891,512	463,486	(548,747)
Currency spots	3,787,740	4,793	(5,093)	3,261,022	4,395	(3,841)
Currency options	10,213,346	370,369	(386,353)	10,071,347	367,458	(386,323)
Cross currency interest rate swaps	84,335,765	2,354,502	(1,862,775)	35,451,698	1,734,620	(1,338,773)
	408,156,453	4,576,270	(4,576,219)	200,388,120	2,844,794	(2,732,755)
Interest rate derivatives						
Interest rate swaps	522,978,123	2,308,247	(1,768,862)	263,896,989	1,258,609	(1,001,249)
Interest rate futures	6,978,479	5,898	(21,010)	6,978,479	5,898	(21,010)
Interest rate options	771,502	3	(13,457)	1,538,253	14,590	(10,942)
	530,728,104	2,314,148	(1,803,329)	272,413,721	1,279,097	(1,033,201)
Equity related derivatives						
Equity swaps	2,987,106	1,116	(6,767)	2,987,106	1,116	(6,767)
Equity options	5,968,449	225,269	(139,908)	5,431,794	223,539	(138,178)
Index futures	10,904	56	(12)	10,904	56	(12)
Equity futures	48,300	26	(332)	48,300	26	(332)
	9,014,759	226,467	(147,019)	8,478,104	224,737	(145,289)
Commodity related derivatives						
Commodity swaps	3,330,619	818,476	(266,305)	3,325,519	818,465	(266,305)
Commodity futures	3,705,140	10,981	(487,983)	3,705,140	10,981	(487,983)
Commodity options	5,515,624	227,863	(213,889)	5,515,624	227,863	(213,889)
	12,551,383	1,057,320	(968,177)	12,546,283	1,057,309	(968,177)
Credit related contract						
Credit default swaps	2,962,199	30,284	(13,569)	2,963,326	30,223	(15,034)
Total return swaps	512,776	7,929	(7,396)	512,776	7,929	(7,396)
	3,474,975	38,213	(20,965)	3,476,102	38,152	(22,430)
Bond Forward	2,474,820	6,791	(49,080)	120,000	972	(1,128)
<u>Hedging derivatives</u>						
Currency swaps	4,713,524	10,550	(14,250)	4,713,524	10,550	(14,250)
Cross currency interest rate swaps	5,065,485	18,033	(317,472)	1,401,816	239	(92,332)
Interest rate swaps	26,027,241	83,067	(321,600)	28,984,013	134,059	(320,144)
Total derivatives assets/(liabilities)	1,002,206,744	8,330,859	(8,218,111)	532,521,683	5,589,909	(5,329,706)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)**

	The Group			The Bank		
	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000
2017						
<u>Trading derivatives</u>						
<u>Foreign exchange derivatives</u>						
Currency forward	30,088,906	446,403	(845,347)	23,574,986	380,006	(726,781)
Currency swaps	188,296,627	1,562,797	(1,908,338)	75,601,706	521,916	(1,037,548)
Currency spots	3,579,335	4,057	(4,128)	2,858,399	3,469	(3,514)
Currency options	20,317,486	284,078	(311,528)	19,950,647	277,175	(302,122)
Cross currency interest rate swaps	60,809,881	2,598,613	(2,624,681)	34,593,836	2,179,919	(2,098,111)
	303,092,235	4,895,948	(5,694,022)	156,579,574	3,362,485	(4,168,076)
<u>Interest rate derivatives</u>						
Interest rate swaps	385,620,302	2,483,855	(1,719,087)	256,581,940	1,603,248	(1,215,559)
Interest rate futures	9,631,775	8,322	(7,058)	9,631,775	8,322	(7,058)
Interest rate options	559,754	3,162	(2,897)	373,248	2,897	(2,897)
	395,811,831	2,495,339	(1,729,042)	266,586,963	1,614,467	(1,225,514)
<u>Equity related derivatives</u>						
Equity swaps	921,932	39,245	(1,618)	921,932	39,245	(1,618)
Equity options	10,164,149	57,553	(117,163)	10,171,000	57,242	(116,852)
Equity futures	343,155	782	(3,362)	343,155	782	(3,362)
	11,429,236	97,580	(122,143)	11,436,087	97,269	(121,832)
<u>Commodity related derivatives</u>						
Commodity swaps	2,542,517	297,789	(350,027)	2,510,815	297,780	(350,027)
Commodity futures	1,147,390	111,671	(53,468)	1,147,390	111,671	(53,468)
Commodity options	3,784,702	214,223	(217,138)	3,784,702	214,223	(217,138)
	7,474,609	623,683	(620,633)	7,442,907	623,674	(620,633)
<u>Credit related contract</u>						
Credit default swaps	2,826,699	4,249	(947)	2,824,938	27,292	(22,020)
Total return swaps	372,138	7,853	(7,925)	372,138	7,853	(7,925)
Credit spread option	16,218	-	(310)	16,218	-	(310)
	3,215,055	12,102	(9,182)	3,213,294	35,145	(30,255)
Bond Forward	1,170,650	5,674	(15,831)	120,000	1,243	(99)
<u>Hedging derivatives</u>						
Currency swaps	4,149,117	147,419	(18,633)	4,149,117	147,419	(18,633)
Cross currency interest rate swaps	4,158,466	5,124	(238,267)	1,682,292	5,124	(58,211)
Interest rate swaps	25,444,830	87,578	(280,684)	28,709,047	175,716	(280,356)
Total derivatives assets/(liabilities)	755,946,029	8,370,447	(8,728,437)	479,919,281	6,062,542	(6,523,609)

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **28 Derivative financial instruments (Continued)**

##### **(i) Fair value hedges**

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

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

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

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

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(i) Fair value hedges**

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

31 December 2018	The Group				
	Maturity				
	Less than 1 month	1-3 months	3 months-1 year	1-5 years	more than 5 years
<b>Interest rate risk</b>					
<b>Interest rate swaps (MYR)</b>					
Nominal amount (RM'000)	-	-	1,475,000	11,452,268	5,130,250
Average fixed interest rate	-	-	4.08%	4.22%	4.33%
<b>Interest rate swaps (HKD)</b>					
Nominal amount (RM'000)	-	-	343,403	-	-
Average fixed interest rate	-	-	2.47%	-	-
<b>Interest rate swaps (SGD)</b>					
Nominal amount (RM'000)	-	-	200,384	481,225	712,728
Average fixed interest rate	-	-	2.05%	2.07%	2.41%
<b>Interest rate swaps (USD)</b>					
Nominal amount (RM'000)	-	-	-	2,222,624	2,851,031
Average fixed interest rate	-	-	-	2.53%	2.72%
<b>Foreign currency risk</b>					
<b>Cross currency interest rate swaps (AUD:MYR)</b>					
Nominal amount (RM'000)	-	-	292,335	-	-
Average AUD:MYR exchange rate	-	-	2.923	-	-
Average fixed interest rate	-	-	4.38%	-	-
<b>Cross currency interest rate swaps (CNH:MYR)</b>					
Nominal amount (RM'000)	-	-	156,407	-	-
Average CNH:MYR exchange rate	-	-	0.607	-	-
Average fixed interest rate	-	-	4.08%	-	-
<b>Cross currency interest rate swaps (HKD:MYR)</b>					
Nominal amount (RM'000)	-	-	491,330	461,744	-
Average HKD:MYR exchange rate	-	-	0.426	0.559	-
Average fixed interest rate	-	-	2.58%	2.31%	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(i) Fair value hedges (Continued)**

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

31 December 2018	The Bank				
	Maturity				
	Less than 1 month	1-3 months	3 months-1 year	1-5 years	more than 5 years
<b>Interest rate risk</b>					
<b>Interest rate swaps (MYR)</b>					
Nominal amount (RM'000)	-	-	100,000	9,552,268	5,130,250
Average fixed interest rate	-	-	4.08%	4.22%	4.33%
<b>Interest rate swaps (HKD)</b>					
Nominal amount (RM'000)	-	-	343,403	-	-
Average fixed interest rate	-	-	2.47%	-	-
<b>Interest rate swaps (SGD)</b>					
Nominal amount (RM'000)	-	-	200,384	481,225	712,728
Average fixed interest rate	-	-	2.05%	2.07%	2.41%
<b>Interest rate swaps (USD)</b>					
Nominal amount (RM'000)	-	-	-	2,222,624	2,742,025
Average fixed interest rate	-	-	-	2.53%	2.72%
<b>Foreign currency risk</b>					
<b>Cross currency interest rate swaps (AUD:MYR)</b>					
Nominal amount (RM'000)	-	-	292,335	-	-
Average AUD:MYR exchange rate	-	-	2.923	-	-
Average fixed interest rate	-	-	4.38%	-	-
<b>Cross currency interest rate swaps (CNH:MYR)</b>					
Nominal amount (RM'000)	-	-	156,407	-	-
Average CNH:MYR exchange rate	-	-	0.607	-	-
Average fixed interest rate	-	-	4.08%	-	-
<b>Cross currency interest rate swaps (HKD:MYR)</b>					
Nominal amount (RM'000)	-	-	491,330	461,744	-
Average HKD:MYR exchange rate	-	-	0.426	0.559	-
Average fixed interest rate	-	-	2.58%	2.31%	-



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(i) Fair value hedges (Continued)**

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

The Group					
31 December 2018	Nominal amount	Fair values*		Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss**
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	RM'000
<b>Interest rate risk</b>					
Interest rate swaps (EUR)	-	-	-	300	(724)
Interest rate swaps (HKD)	343,403	-	(1,515)	(974)	2,233
Interest rate swaps (MYR)	18,057,518	51,706	(132,522)	48,977	(17,070)
Interest rate swaps (SGD)	1,394,337	2,312	(20,882)	(730)	213
Interest rate swaps (USD)	5,073,654	29,049	(163,635)	(52,267)	5,083
<b>Foreign currency risk</b>					
Cross currency interest rate swaps (AUD:MYR)	292,335	5,834	-	(33,889)	(2,249)
Cross currency interest rate swaps (CNH:MYR)	156,407	1,633	(462)	(4,712)	(907)
Cross currency interest rate swaps (EUR:USD)	-	-	-	(1,553)	(1,553)
Cross currency interest rate swaps (HKD:MYR)	953,074	93,629	(28,909)	12,007	4,486

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(i) Fair value hedges (Continued)**

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

The Bank					
31 December 2018	Nominal amount	Fair values*		Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss**
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	RM'000
<b>Interest rate risk</b>					
Interest rate swaps (EUR)	-	-	-	300	(724)
Interest rate swaps (HKD)	343,403	-	(1,515)	(974)	2,233
Interest rate swaps (MYR)	14,782,518	105,324	(132,522)	15,347	(14,965)
Interest rate swaps (SGD)	1,394,337	2,312	(20,882)	(730)	213
Interest rate swaps (USD)	4,964,648	26,423	(165,225)	(53,528)	5,227
<b>Foreign currency risk</b>					
Cross currency interest rate swaps (AUD:MYR)	292,335	5,834	-	(33,889)	(2,249)
Cross currency interest rate swaps (CNH:MYR)	156,407	1,633	(462)	(4,712)	(907)
Cross currency interest rate swaps (EUR:USD)	-	-	-	(1,553)	(1,553)
Cross currency interest rate swaps (HKD:MYR)	953,074	93,629	(28,909)	12,007	4,486

\*All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

\*\*All hedge ineffectiveness are recognised in the 'Net non-interest income' in the statement of income.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(i) Fair value hedges (Continued)**

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

The Group							
31 December 2018	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statements of financial position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000			
<b>Hedged items</b>							
EUR fixed rate loans	-	-	-	-	Loans, advances and financing	(1,024)	-
MYR fixed rate loans	3,339,947	-	35,718	(1,446)	Loans, advances and financing	(53,440)	5,002
USD fixed rate loans	213,743	-	44	(4,211)	Loans, advances and financing	(1,910)	-
MYR fixed rate liabilities	-	(101,887)	-	(404)	Deposits and placement of bank and other financial institutions	28	-
MYR fixed rate liabilities	-	(863,991)	-	(19,786)	Recourse obligation on loans and financing sold to Cagamas	2,315	-
MYR fixed rate liabilities	-	(756,398)	-	(73)	Other liabilities	(1,596)	-
MYR fixed rate liabilities	-	(6,671,400)	11,976	(29,081)	Subordinated obligations	(6,412)	(7,975)
AUD fixed rate bonds	-	(295,696)	-	(1,765)	Bonds, Sukuk and debentures	31,640	-
CNH fixed rate bonds	-	(154,843)	6,336	-	Bonds, Sukuk and debentures	3,805	-
HKD fixed rate bonds	-	(1,269,932)	47,535	(76,014)	Bonds, Sukuk and debentures	(4,314)	-
MYR fixed rate bonds	-	(2,997,729)	18,387	-	Bonds, Sukuk and debentures	(6,757)	-
SGD fixed rate bonds	-	-	-	-	Bonds, Sukuk and debentures	526	-
USD fixed rate bonds	-	(2,795,765)	187,723	-	Bonds, Sukuk and debentures	89,823	1,447
MYR fixed rate bonds	3,581,887	-	54,388	(1,842)	Debt instruments at fair value through other comprehensive income	(184)	(970)
SGD fixed rate bonds	1,376,734	-	19,909	(4,260)	Debt instruments at fair value through other comprehensive income	417	(728)
USD fixed rate bonds	1,892,509	-	17,883	(25,045)	Debt instruments at fair value through other comprehensive income	(30,566)	(489)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(i) Fair value hedges (Continued)**

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

The Bank							
31 December 2018	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statements of financial position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000			
<b>Hedged items</b>							
EUR fixed rate loans	-	-	-	-	Loans, advances and financing	(1,024)	-
MYR fixed rate loans	-	-	-	-	Loans, advances and financing	(17,704)	-
USD fixed rate loans	105,981	-	44	(2,672)	Loans, advances and financing	(504)	-
MYR fixed rate liabilities	-	(101,887)	-	(404)	Deposits and placement of bank and other financial institutions	28	-
MYR fixed rate liabilities	-	(863,991)	-	(19,786)	Recourse obligation on loans and financing sold to Cagamas	2,315	-
MYR fixed rate liabilities	-	(756,398)	-	(73)	Other liabilities	(1,596)	-
MYR fixed rate liabilities	-	(6,671,400)	11,976	(29,081)	Subordinated obligations	(6,412)	(7,975)
AUD fixed rate bonds	-	(295,696)	-	(1,765)	Bonds and debentures	31,640	-
CNH fixed rate bonds	-	(154,843)	6,336	-	Bonds and debentures	3,805	-
HKD fixed rate bonds	-	(1,269,932)	47,535	(76,014)	Bonds and debentures	(4,314)	-
MYR fixed rate bonds	-	(2,997,729)	18,387	-	Bonds and debentures	(6,757)	-
SGD fixed rate bonds	-	-	-	-	Bonds and debentures	526	-
USD fixed rate bonds	-	(2,795,765)	187,723	-	Bonds and debentures	89,823	1,447
MYR fixed rate bonds	3,581,887	-	54,388	(1,842)	Debt instruments at fair value through other comprehensive income	(184)	(970)
SGD fixed rate bonds	1,376,734	-	19,909	(4,260)	Debt instruments at fair value through other comprehensive income	417	(728)
USD fixed rate bonds	1,892,509	-	17,883	(25,045)	Debt instruments at fair value through other comprehensive income	(30,566)	(489)

# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 28 Derivative financial instruments (Continued)

#### (i) Fair value hedges (Continued)

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

	<b>The Group</b>	<b>The Bank</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Loss on hedging instruments*	(83,876)	(123,664)
Gain on the hedged items attributable to the hedged risk	<u>71,899</u>	<u>113,173</u>

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

## **CIMB Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **28 Derivative financial instruments (Continued)**

##### **(ii) Net investment hedge**

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

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

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(ii) Net investment hedge (Continued)**

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

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

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(ii) Net investment hedge (Continued)**

The Group and the Bank uses the following items as hedging instruments in net investment hedges: (Continued)

31 December 2018	The Bank				
	Maturity				
	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
<b>Fixed rate bond (USD)</b>					
Nominal amount (RM'000)	-	-	-	1,241,250	-
Average USD:MYR exchange rate	-	-	-	4.037	-
<b>Currency swaps (GBP:MYR)</b>					
Nominal amount (RM'000)	89,645	-	10,546	-	-
Average GBP: MYR exchange rate	5.246	-	5.496	-	-
<b>Currency swaps (HKD:MYR)</b>					
Nominal amount (RM'000)	-	117,814	8,453	-	-
Average HKD:MYR exchange rate	-	0.531	0.530	-	-
<b>Currency swaps (SGD:MYR)</b>					
Nominal amount (RM'000)	683,430	1,356,841	24,289	-	-
Average SGD:MYR exchange rate	2.998	3.033	3.059	-	-
<b>Currency swaps (USD:MYR)</b>					
Nominal amount (RM'000)	49,650	910,250	1,079,888	-	-
Average USD:MYR exchange rate	4.146	4.136	4.156	-	-



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(ii) Net investment hedge (Continued)**

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(ii) Net investment hedge (Continued)**

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

	The Bank						
	Nominal amount	Fair values*		Changes in fair value used for calculating hedge ineffectiveness	Changes in fair value recognised in OCI	Hedge ineffectiveness recognised in profit or loss**	Amount reclassified from hedge reserve to profit or loss**
		Assets	Liabilities				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2018</b>							
<b>Foreign exchange risk</b>							
Fixed rate bonds (USD)	1,241,250	-	-	(24,900)	24,900	-	-
Currency swaps (GBP: MYR)	100,192	652	(632)	3,637	(3,637)	-	-
Currency swaps (HKD:MYR)	126,267	668	(119)	(2,511)	2,511	-	-
Currency swaps (SGD: MYR)	2,064,559	2,978	(11,019)	(2,354)	2,354	-	-
Currency swaps (USD:MYR)	2,039,788	5,266	(2,480)	(40,872)	40,872	-	-

\*All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

\*\*All hedge ineffectiveness and reclassification from the 'net investment hedge reserve' to profit or loss are recognised in the 'Net non-interest income' in the statement of income.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(ii) Net investment hedge (Continued)**

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

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

<b>The Bank</b>			
Change in value used for calculating hedge ineffectiveness	Net investment hedge reserve	Balance remaining in the net investment hedge reserve from hedging relationships for which hedge accounting is no longer applied	
RM'000	RM'000	RM'000	
<b>31 December 2018</b>			
GBP net investment	(3,637)	(4,336)	-
HKD net investment	2,511	23,648	-
SGD net investment	2,354	187,710	-
USD net investment	65,772	530,232	-

For the financial year ended 31 December 2017, the fair value changes of the hedging instruments attributable to the risk not designated as hedged in the hedging relationship was recognised in the statement of income for the Group and the Bank of RM47,738,619 and RM49,679,944.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **28 Derivative financial instruments (Continued)**

#### **(iii) Cash flows hedge**

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

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

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(iii) Cash flows hedge (Continued)**

The Group and the Bank use the following items as hedging instruments in cash flow hedges:

	<b>The Group</b>				
	<b>Maturity</b>				
<b>31 December 2018</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months – 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>Interest rate risk</b>					
<b>Interest rate swaps</b>					
Nominal amount (RM'000)	-	-	-	312,192.02	-
Average fixed interest rate	-	-	-	2.00%	-
<b>Interest rate/foreign exchange risk</b>					
<b>Cross currency interest rate swaps (USD:MYR)</b>					
Nominal amount (RM'000)	-	-	1,036,179	464,708	-
Average USD-MYR exchange rate	-	-	3.567	4.349	-
Average fixed interest rate	-	-	-	-	-
<b>Cross currency interest rate swaps (USD:THB)</b>					
Nominal amount (RM'000)	-	-	-	-	802,176
Average USD-THB exchange rate	-	-	-	-	32.322
Average fixed interest rate	-	-	-	-	-

## CIMB Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

#### 28 Derivative financial instruments (Continued)

##### (iii) Cash flows hedge (Continued)

The Group and the Bank use the following items as hedging instruments in cash flow hedges:

	The Bank				
	Maturity				
	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
<b>31 December 2018</b>					
<b>Interest rate/foreign exchange risk</b>					
Cross currency interest rate swaps (USD:MYR)					
Nominal amount (RM'000)	-	-	1,036,179	464,708	-
Average USD-MYR exchange rate	-	-	3.567	4.349	-
Average fixed interest rate	-	-	-	-	-

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(iii) Cash flows hedge (Continued)**

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

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

\*All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

\*\*All hedge ineffectiveness and reclassification from the 'Hedging reserve – cash flows hedge' to profit or loss are recognised in the 'Net non-interest income' in the statement of income.

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(iii) Cash flows hedge (Continued)**

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

	The Bank						
	Nominal amount	Fair values*		Changes in fair value used for calculating hedge ineffectiveness	Changes in fair value recognised in other comprehensive income	Hedge ineffectiveness recognised in profit or loss**	Amount reclassified from hedge reserve to profit or loss**
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2018</b>							
<b>Foreign exchange risk</b>							
Cross currency interest rate swaps (USD:MYR)	1,500,888	24,990	(188,788)	(29,231)	435	(1,287)	(1,287)

\*All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

\*\*All hedge ineffectiveness and reclassification from the 'Hedging reserve – cash flows hedge' to profit or loss are recognised in the 'Net non-interest income' in the statement of income.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(iii) Cash flows hedge (Continued)**

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

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

## CIMB Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

#### 28 Derivative financial instruments (Continued)

##### (iii) Cash flows hedge (Continued)

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

The Bank			
Line item in the statements of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness RM'000	Cash flow hedge reserve RM'000	Balance remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
31 December 2018 Interest rate/foreign exchange risk USD floating rate loans	27,944	294	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(iii) Cash flows hedge (Continued)**

For the financial year ended 31 December 2017, the notional amount of the outstanding cross currency interest rate swaps as at 31 December 2017 for the Group and the Bank were RM4,484,430,195 and RM1,703,629,217. Gains and losses of cross currency interest rate swaps recognised in the hedging reserve will be reclassified from equity to statement of income when the hedged cash flows affect profit or loss. Total loss of RM234,288 was recognised in the statement of income due to hedge ineffectiveness from cash flow hedges.

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

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

	The Bank				
	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1-5 years
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash inflows (assets)	180,205	8,736	4,525	6,143	3,467,485
Cash outflows (liabilities)	-	-	-	-	-
Net cash inflows	<u>180,205</u>	<u>8,736</u>	<u>4,525</u>	<u>6,143</u>	<u>3,467,485</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****28 Derivative financial instruments (Continued)****(iv) Reconciliation of components of equity**

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

	The Group		The Bank	
	Net investment hedge RM'000	Cash flows hedge RM'000	Net investment hedge RM'000	Cash flows hedge RM'000
<b>At 1 January 2018</b>	(1,138,995)	(107)	(670,255)	(107)
Effect of adopting MFRS 9	55	-	55	-
<b>At 1 January 2018, as restated</b>	<b>(1,138,940)</b>	<b>(107)</b>	<b>(670,200)</b>	<b>(107)</b>
Effective portion of changes in fair value:				
· Interest rate risk	-	(2,709)	-	-
· Interest rate/USD foreign currency risk	-	14,016	-	1,721
Net amount reclassified to profit or loss:				
· Interest rate/USD foreign currency risk	-	(1,287)	-	(1,287)
Net gain on hedge of net investment in foreign operations:				
· GBP currency swaps	3,637	-	3,637	-
· HKD currency swaps	(2,511)	-	(2,511)	-
· SGD currency swaps	(2,354)	-	(2,354)	-
· USD currency swaps	(73,764)	-	(65,772)	-
Cost of hedging	47,318	-	46,513	-
Income tax effects	-	(3,479)	-	-
Exchange fluctuation	-	(239)	-	(104)
<b>At 31 December 2018</b>	<b>(1,166,614)</b>	<b>6,195</b>	<b>(690,687)</b>	<b>223</b>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****29 Other liabilities**

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Due to brokers and clients		74,612	145,699	74,612	145,699
Accrued employee benefits	(a)	17,272	31,192	16,988	19,527
Post employment benefit obligations	(b)	218,692	209,381	36,202	33,697
Sundry creditors		494,341	3,818,974	418,284	3,465,349
Expenditure payable		1,396,403	1,326,778	1,088,103	1,052,999
Collateral for securities lending		85,213	72,023	85,213	72,023
Expected credit losses/Allowance for commitments and contingencies	(c)	466,067	49,095	299,628	-
Provision for legal claims		60,052	71,924	39,958	42,038
Credit card expenditure payable		119,226	126,512	113,060	126,512
Collateral received for derivative transactions		1,307,759	1,626,637	1,186,575	1,156,847
Structured deposits		4,190,189	3,942,352	4,156,011	3,901,570
Others		691,836	583,024	440,012	414,253
		<b>9,121,662</b>	<b>12,003,591</b>	<b>7,954,646</b>	<b>10,430,514</b>

**(a) Accrued employee benefits**

This refers to the accruals for short term employee benefits for leave entitlement. Under their employment contract, employees can earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period. Accruals are made for the estimate of liability for unutilised annual leave.

**(b) Post employment benefit obligations**

		The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Defined contribution plan – Employer Provident Fund ("EPF")	(i)	36,859	33,697	36,202	33,697
Defined benefit plans	(ii)	181,833	175,684	-	-
		<b>218,692</b>	<b>209,381</b>	<b>36,202</b>	<b>33,697</b>

**(i) Defined contribution plan**

Group companies incorporated in Malaysia contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 29 Other liabilities (Continued)

#### (b) Post employment benefit obligations (Continued)

##### (ii) Defined benefit plans

CIMB Thai Bank operates final salary defined benefit plans for employees. The latest actuarial valuation of the plans for CIMB Thai Bank was carried out as at 31 December 2018.

The amounts recognised in the statements of financial position in respect of defined benefit plans are determined as follows:

	The Group	
	2018	2017
	RM'000	RM'000
Present value of unfunded obligations	<b>181,833</b>	175,684
Liability	<b>181,833</b>	175,684

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****29 Other liabilities (Continued)****(b) Post employment benefit obligations (Continued)****(ii) Defined benefit plans (Continued)**

The amount recognised in the statements of income and statements of comprehensive income in respect of defined benefit plans are as follows:

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Service cost:		
Current service costs	15,483	15,799
Past service costs and (gain)/loss from settlements	(438)	-
Net interest expense	<u>4,644</u>	<u>4,151</u>
Components of defined benefits costs recognised in statements of income	<u>19,689</u>	<u>19,950</u>
Remeasurement:		
- Actuarial losses/(gains):		
- from changes in demographic assumptions	-	1,801
- from changes in financial assumptions	(40)	(7,807)
- Experience adjustments	<u>(9,060)</u>	<u>(4,039)</u>
Components of defined benefits costs recognised in statements of comprehensive income	<u>(9,100)</u>	<u>(10,045)</u>
	<u>10,589</u>	<u>9,905</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****29 Other liabilities (Continued)****(b) Post employment benefit obligations (Continued)****(ii) Defined benefit plans (Continued)**

Movements in the defined benefit obligation over the financial year are as follows:

	<b>The Group</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
At 1 January	<b>175,684</b>	184,514
Current services costs	<b>15,483</b>	15,799
Past service costs and gain from settlements	<b>(438)</b>	-
Interest costs	<b>4,644</b>	4,151
	<b>195,373</b>	204,464
Remeasurement:		
- Actuarial losses/(gains):		
- from changes in demographic assumptions	-	1,801
- from changes in financial assumptions	<b>(40)</b>	(7,807)
- Experience adjustments	<b>(9,060)</b>	(4,039)
	<b>(9,100)</b>	(10,045)
Exchange fluctuation	<b>4,450</b>	(1,520)
Benefits paid	<b>(8,890)</b>	(17,215)
At 31 December	<b>181,833</b>	175,684



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****29 Other liabilities (Continued)****(b) Post employment benefit obligations (Continued)****(ii) Defined benefit plans (Continued)**

The principal actuarial assumptions used in respect of the Group's defined benefit plans were as follows:

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	%	%
Discount rates	<b>2.75</b>	2.75
Future salary increases	<b>5.00</b>	5.00
Rate of price inflation - other fixed allowance	<b>1.75</b>	2.00

The sensitivity of defined benefit obligation to changes in the weighted principal assumption is:

	<b>Impact on defined benefit obligation</b>		
	<b>Change in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
<b>2018</b>			
Discount rates	0.5%	Decreased by 3.24%	Increased by 4.87%
Future salary increases	1.0%	Increased by 10.02%	Decreased by 7.64%
<b>2017</b>			
Discount rates	0.5%	Decreased by 4.08%	Increased by 4.36%
Future salary increases	1.0%	Increased by 9.33%	Decreased by 8.29%

Projected unit credit method is used in calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the previous period.

The expected contribution to post-employment benefits plan for the financial year ended 31 December 2018 to the Group is RM17,453,000 (2017: RM11,491,000).

The weighted average duration of the defined benefit obligation of the Group is 8 years (2017: 8 years).

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****29 Other liabilities (Continued)****(c) Expected credit losses/Allowance for commitments and contingencies**

Movement in the expected credit losses for commitments and contingencies are as follows:

The Group	12-month expected	Lifetime expected credit	Lifetime expected credit	Individual impairment	Total
	credit losses (Stage 1) RM'000	losses - not credit impaired (Stage 2) RM'000	losses - Credit impaired (Stage 3) RM'000	provision under MFRS 139 RM'000	
At 1 January 2018	-	-	-	49,095	49,095
Effect of adopting MFRS 9	301,156	36,406	104,136	(49,095)	392,603
<b>Adjusted 1 Jan 2018</b>	<b>301,156</b>	<b>36,406</b>	<b>104,136</b>	<b>-</b>	<b>441,698</b>
Changes in expected credit losses due to transferred within stages:	119,855	(97,530)	(22,325)	-	-
Transferred to Stage 1	131,792	(109,522)	(22,270)	-	-
Transferred to Stage 2	(11,594)	19,166	(7,572)	-	-
Transferred to Stage 3	(343)	(7,174)	7,517	-	-
<b>Total charge to Income Statement:</b>	<b>(116,683)</b>	<b>117,962</b>	<b>20,534</b>	<b>-</b>	<b>21,813</b>
New exposures	127,526	1,355	1,128	-	130,009
Exposures derecognised or matured	(61,575)	(7,250)	(8,446)	-	(77,271)
Change in credit risk	(182,634)	123,857	27,852	-	(30,925)
Exchange fluctuation	504	79	1,712	-	2,295
Other movements	(96)	272	85	-	261
<b>At 31 December 2018</b>	<b>304,736</b>	<b>57,189</b>	<b>104,142</b>	<b>-</b>	<b>466,067</b>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****29 Other liabilities (Continued)****(c) Expected credit losses/Allowance for commitments and contingencies (Continued)**

Movement in the expected credit losses for commitments and contingencies are as follows: (Continued)

<b>The Bank</b>	<b>12-month expected credit losses (Stage 1) RM'000</b>	<b>Lifetime expected credit losses - not credit impaired (Stage 2) RM'000</b>	<b>Lifetime expected credit losses - Credit impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018</b>	-	-	-	-
Effect of adopting MFRS 9	229,214	32,214	46,492	307,920
<b>Adjusted 1 Jan 2018</b>	229,214	32,214	46,492	307,920
Changes in expected credit losses due to transferred within stages:	114,217	(91,353)	(22,864)	-
Transferred to Stage 1	124,505	(102,352)	(22,153)	-
Transferred to Stage 2	(9,959)	17,335	(7,376)	-
Transferred to Stage 3	(329)	(6,336)	6,665	-
<b>Total charge to Income Statement:</b>	(123,892)	109,435	5,600	(8,857)
New exposures	44,810	2	34	44,846
Exposures derecognised or matured	(16,690)	(6,416)	(5,716)	(28,822)
Change in credit risk	(152,012)	115,849	11,282	(24,881)
Exchange fluctuation	465	15	-	480
Other movements	-	-	85	85
<b>At 31 December 2018</b>	220,004	50,311	29,313	299,628

As at 31 December 2018, the gross carrying amount of loan commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM167,012,000 and RM90,472,000 respectively.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****29 Other liabilities (Continued)****(c) Expected credit losses/Allowance for commitments and contingencies (Continued)**

Movement in the allowances for commitments and contingencies are as follows:

	<b>The Group</b> 2017 RM'000	<b>The Bank</b> 2017 RM'000
At 1 January 2017	65,132	3,238
Allowance written-back during the financial year	(10,364)	2,222
Exposures derecognised	(5,460)	(5,460)
Exchange fluctuation	(213)	-
At 31 December 2017	<u>49,095</u>	<u>-</u>

**30 Recourse obligation on loans and financing sold to Cagamas**

This represents the proceeds received from housing loans and Islamic house financing sold directly to Cagamas Berhad with recourse to the Bank and its wholly-owned subsidiary, CIMB Islamic Bank Berhad. Under these agreements, the Bank and its subsidiary undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy-back any loans and financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****31 Bonds, Sukuk and debentures**

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Structured debentures	(a)	129,769	137,331	-	-
Short term debentures	(a)	-	380,044	-	-
HKD171 million notes (2013/2018)	(b)	-	66,821	-	66,821
SGD20 million notes (2013/2018)	(c)	-	60,930	-	60,930
HKD300 million notes (2014/2019)	(d)	129,078	129,017	129,078	129,017
HKD150 million notes (2014/2019)	(e)	79,467	78,030	79,467	78,030
AUD100 million notes (2014/2019)	(f)	292,574	292,534	292,574	292,534
HKD1,130 million notes (2014/2019)	(g)	537,678	532,872	537,678	532,872
USD313 million notes (2015/2045; callable in 2020)	(h)	1,521,449	1,426,726	1,521,449	1,426,726
SGD100 million notes (2015/2018)	(i)	-	306,512	-	306,512
CNY220 million notes (2015/2018)	(j)	-	137,326	-	137,326
CNY130 million notes (2016/2019)	(k)	82,425	82,494	82,425	82,494
CNY130 million notes (2016/2019)	(l)	78,754	78,801	78,754	78,801
Ziya Capital Berhad Sukuk	(m)	358,265	462,256	-	-
USD15 million notes (2017/2022)	(n)	62,204	60,919	62,204	60,919
USD600 million notes (2017/2020)	(o)	2,486,212	2,435,444	2,486,212	2,435,444
USD500 million notes (2017/2022)	(p)	2,088,626	2,046,727	2,088,626	2,046,727
USD2.65 million notes (2017/2022)	(q)	5,716	10,780	5,716	10,780
THB2.0 billion debenture (2017/2020)	(r)	255,771	249,572	-	-
HKD874 million notes (2017/2021)	(s)	495,231	495,252	495,231	495,252
RM1.0 billion notes (2017/2022)	(t)	1,005,184	1,005,063	1,005,184	1,005,063
RM1.2 billion notes (2017/2024)	(t)	1,206,503	1,206,352	1,206,503	1,206,352
RM800 million notes (2017/2027)	(t)	804,430	804,327	804,430	804,327
Merdeka Kapital Berhad Medium Term Note	(u)	756,398	829,234	-	-
RM1.0 million Sukuk Wakalah (2017/2018)	(v)	-	-	-	-
		<b>12,375,734</b>	13,315,364	<b>10,875,531</b>	11,256,927
Fair value changes arising from fair value hedges		<b>(182,204)</b>	(51,979)	<b>(182,204)</b>	(51,979)
		<b>12,193,530</b>	13,263,385	<b>10,693,327</b>	11,204,948

## **CIMB Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **31 Bonds, Sukuk and debentures (Continued)**

##### **(a) Structured debentures and short term debentures**

- i. CIMB Thai Bank issued various unsecured structured debentures with embedded foreign exchange derivatives and early redemption option. The debentures will mature between 1 month to 3 years from the respective issuance dates. It bears variable interest rates, depending on the underlying foreign exchange rates movements, payable at respective maturity dates.
- ii. In 2017, CIMB Thai Bank issued various unsecured short term debentures with tenures varying from 1 months to 6 months. The debentures carry fixed interest rates of 1.21% to 1.45%, payable at respective maturity dates.

##### **(b) HKD171 million notes**

On 22 January 2013, the Bank issued HKD171 million 5-year senior unsecured fixed rate notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 22 January 2018. It bears a coupon rate of 1.60% per annum payable quarterly in arrears.

The Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD171 million notes using cross currency interest rate swaps.

On 22 January 2018, the Bank has redeemed its HKD171 million 5-year senior unsecured fixed rate notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

##### **(c) SGD20 million notes**

On 22 March 2013, the Bank, acting through its Singapore Branch, issued SGD20 million 5-year senior unsecured notes under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011. The notes will mature on 22 March 2018 (subject to adjustment in accordance with the modified following business day convention). It bears a coupon rate of 1.67% per annum payable semi-annually in arrears.

The Bank has undertaken fair value hedge on the interest rate risk of the SGD20 million notes using interest rate swaps.

On 22 March 2018, the Bank has redeemed its SGD20 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

## **CIMB Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **31 Bonds, Sukuk and debentures (Continued)**

##### **(d) HKD300 million notes**

On 14 May 2014, the Bank issued HKD300 million 5-year senior unsecured fixed rate notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The Notes will mature on 14 May 2019 (subject to adjustment in accordance with the modified following business day convention). It bears a coupon rate of 2.70% per annum payable annually in arrears.

The Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HK300 million notes using cross currency interest rate swaps.

##### **(e) HKD150 million notes**

On 21 August 2014, the Bank issued HKD150 million 5-year senior unsecured fixed rate notes under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The Notes will mature on 21 August 2019 (subject to adjustment in accordance with the modified following business day convention). It bears a coupon rate of 2.47% per annum payable quarterly in arrears.

The Bank has undertaken fair value hedge on the interest rate risk of the HKD150 million notes using interest rate swaps.

##### **(f) AUD100 million notes**

On 25 September 2014, the Bank issued AUD100 million 5-year senior fixed rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 25 September 2019. It bears a coupon rate of 4.375% per annum payable annually in arrears.

The Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the AUD100 million notes using cross currency interest rate swaps.

## **CIMB Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **31 Bonds, Sukuk and debentures (Continued)**

##### **(g) HKD1,130 million notes**

On 20 November 2014, the Bank issued HKD1,130 million 5-year senior fixed rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 12 November 2019 (subject to adjustment in accordance with the modified following business day convention). The Notes bear a coupon rate of 2.46% per annum payable quarterly in arrears.

The Bank has undertaken fair value hedge on the interest rate risk of the HKD500 million notes using interest rate swaps.

The Bank has also undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD630 million notes using cross currency interest rate swaps.

##### **(h) USD313 million notes**

On 5 May 2015, CIMB Bank Berhad issued USD313 million 30-years callable zero coupon notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 5 May 2045, and are callable from 5 May 2020 and every two years thereafter up to 5 May 2044. The Notes have a yield to maturity of 4.50% per annum.

The Bank has undertaken fair value hedge on the interest rate risk of the USD313 million notes using interest rate swaps.

##### **(i) SGD100 million notes**

On 30 June 2015, CIMB Bank Berhad, acting through its Singapore branch, issued SGD100 million 3-year senior fixed rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 30 June 2018 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 2.12% per annum payable semi-annually.

The Bank has undertaken fair value hedge on the interest rate risk of the SGD100 million notes using interest rate swaps.

On 2 July 2018, the Bank had redeemed its SGD100 million 3-year senior fixed rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.



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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **31 Bonds, Sukuk and debentures (Continued)**

#### **(j) CNY220 million notes**

On 6 August 2015, CIMB Bank Berhad issued CNY220 million 3-year senior fixed rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 6 August 2018 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 4.25% per annum payable annually.

The Bank has also undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY220 million notes using cross currency interest rate swaps.

On 6 August 2018, the Bank has redeemed its CNY220 million 3-year senior fixed rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

#### **(k) CNY130 million notes**

On 18 May 2016, the Bank issued CNY130 million 3-year senior fixed rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 18 May 2019 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 4.2% per annum payable annually.

The Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY130 million notes using cross currency interest rate swaps.

#### **(l) CNY130 million notes**

On 20 July 2016, the Bank issued CNY130 million 3-year senior fixed rate notes under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 20 July 2019 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 3.95% per annum payable annually.

The Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY130 million notes using cross currency interest rate swaps.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **31 Bonds, Sukuk and debentures (Continued)**

#### **(m) Ziya Capital Bhd Sukuk**

On 12 August 2016, Ziya Capital Bhd (“Ziya”), an Islamic special purpose vehicle consolidated by CIMB Islamic Bank, issued RM630 million Sukuk which bears profit distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021. RM104 million (2017: RM124 million) of the Sukuk was partially redeemed during the financial year.

#### **(n) USD15 million notes**

On 8 March 2017, the Bank issued USD15 million 5-year senior floating rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 8 March 2022 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of USD 3-month LIBOR + 0.97% per annum payable quarterly.

#### **(o) USD600 million notes**

On 15 March 2017, the Bank issued USD600 million 3-year senior floating rate notes (the “FRN Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The FRN Notes will mature on the interest payment date falling in or nearest to March 2020 and bears a coupon rate of USD 3-month LIBOR + 0.80% per annum payable quarterly.

#### **(p) USD500 million notes**

On 15 March 2017, the Bank issued USD500 million 5-year senior fixed rate notes (the “FXD Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The FXD Notes will mature on 15 March 2022 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 3.263% per annum payable semi-annually.

The Bank has undertaken fair value hedge on the interest rate risk of the USD500 million notes using interest rate swaps.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **31 Bonds, Sukuk and debentures (Continued)**

#### **(q) USD2.65 million notes**

On 28 March 2017 and 27 April 2017, the Bank issued USD2.15 million and USD0.5 million credit linked notes (the “CLN”) under its MYR5.0 billion Multi-Currency (excluding Ringgit) Structured Note Programme, which was established on 12 May 2014, respectively. The CLN, which is linked to a specified Reference Entity, will mature on 20 June 2022 and bears a coupon rate of 3.80% per annum payable semi-annually.

#### **(r) THB2.0 billion debenture**

On 8 May 2017, Center Auto Lease Co. Ltd, a subsidiary of CIMB Thai Bank issued THB2 billion debentures. The debentures will mature on 8 May 2020 and bears a coupon rate of 2.44% per annum payable semi-annually. The debenture is guaranteed by CIMB Thai Bank.

#### **(s) HKD874 million notes**

On 9 May 2017, the Bank issued HKD874 million 4-year senior fixed rate notes (the “Notes”) under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on the interest payment date falling in or nearest to May 2021 and bears a coupon rate of 2.31% per annum payable annually.

The Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD874 million notes using cross currency interest rate swaps.

#### **(t) RM1.0 billion notes, RM1.2 billion notes and RM800 million notes**

On 18 May 2017, the Bank issued RM1.0 billion 5-year senior medium term notes (the “MTN”), RM1.2 billion 7-year MTN and RM800 million 10-year MTN under its senior medium term notes programme of RM20.0 billion in nominal value. The MTN will mature on 18 May 2022, 17 May 2024 and 18 May 2027 respectively and bear coupon rates of 4.40% per annum, 4.60% per annum and 4.70% per annum respectively, payable semi-annually.

The Bank has undertaken fair value hedge on the interest rate of the RM2.8 billion notes using interest rate swaps.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **31 Bonds, Sukuk and debentures (Continued)**

##### **(u) Merdeka Kapital Berhad Medium Term Note**

On 31 March 2017, Merdeka Kapital Berhad (“MKB”), a special purpose vehicle consolidated by the Bank, issued RM880 million Medium Term Note (the “MTN”) which bears a coupon rate of 3.92% per annum payable on monthly basis. The MTN is subject to monthly redemption with final redemption due on 28 March 2024. During the financial year, the Bank has undertaken a partial redemption of the MTN amounting to RM74.4 million (2017:RM49.6 million).

The Bank has undertaken fair value hedge on the interest rate of the MTN using interest rate swaps.

##### **(v) RM1.0 million Sukuk Wakalah**

On 29 December 2017, CIMB Islamic Bank issued RM1.0 million Sukuk Wakalah (the “Sukuk”) under its Sukuk Wakalah Programme of RM10.0 billion in nominal value. The Sukuk will mature on 31 December 2018 and bear periodic distribution rate of 4.00% per annum, payable semi-annually.

The Sukuk was subscribed by the Bank, hence the amount was eliminated at consolidated level.

CIMB Islamic Bank redeemed its RM1.0 million Sukuk Wakalah on 31 December 2018.

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****32 Other borrowings**

		The Group		The Bank	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Term loans	(a)	5,258,491	5,100,684	5,258,491	5,100,684
Others	(b)	-	-	301,609	597,044
		<b>5,258,491</b>	<b>5,100,684</b>	<b>5,560,100</b>	<b>5,697,728</b>

- (a) These loans were undertaken by the Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 29 March 2019 being the earliest to mature and 26 August 2022 being the latest to mature. Interest rates charged are between 3.25% to 3.63% per annum (2017: 2 February 2018 to 3 October 2018, 2.15% to 2.50% per annum).
- (b) The Bank obtained funding through the securitisation of its hire purchase receivables to a third party, via issuance of Medium Term Note by Merdeka Kapital Berhad (“MKB”).

On 31 March 2017, the funding of RM880 million is raised for an effective interest rate of 3.92% per annum payable on monthly basis, and is subject to monthly redemption with final redemption due on 28 March 2024.

The Group and the Bank continue to recognise the hire purchase receivables on its statements of financial position as at 31 December 2018 as the Group and the Bank continue to retain the risk and rewards of the hire purchase receivables.

At Group level, due to consolidation of MKB, the funding is eliminated and reclassified under bonds.

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(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****33 Subordinated obligations**

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Subordinated Bonds 2008/2038 RM1.0 billion	(a)	-	1,015,419	-	1,015,419
Subordinated Sukuk RM850 million (1st tranche due in 2024, optional redemption in 2019; 2nd tranche redeemed in 2016; 3rd tranche redeemed in 2017)	(b)	<b>298,895</b>	303,684	-	-
Subordinated Debt 2010/2025 RM2 billion, (1st tranche redeemed in 2015; 2nd tranche due in 2025, optional redemption in 2020)	(c)	<b>1,008,866</b>	1,012,263	<b>1,008,866</b>	1,012,263
Subordinated Debt RM1.5 billion (1st tranche redeemed in 2016; 2nd tranche due in 2026, callable in 2021)	(d)	<b>152,820</b>	152,821	<b>152,820</b>	152,821
Subordinated Debts 2013/2023 RM1.05 billion	(e)	-	1,062,612	-	1,062,612
Subordinated Notes 2014/2024 RM400 million	(f)	<b>401,769</b>	409,920	-	-
Subordinated Debts 2015/2025 RM2 billion	(g)	<b>2,002,258</b>	2,001,693	<b>2,002,258</b>	2,001,693
Additional Tier 1 Securities RM1.0 billion	(h)	<b>1,005,721</b>	1,005,562	<b>1,005,721</b>	1,005,562
Subordinated Debts 2016/2026 RM570 million	(i)	<b>95,348</b>	103,696	-	-
Subordinated Debts 2016/2026 RM1.35 billion	(j)	<b>1,375,758</b>	1,375,758	<b>1,375,758</b>	1,375,758
Subordinated Sukuk 2016/2026 RM10 million	(k)	<b>10,126</b>	10,127	-	-
Additional Tier 1 Securities RM400 million	(l)	<b>400,904</b>	400,844	<b>400,904</b>	400,844
Subordinated Debts 2017/2027 RM1.5 billion	(m)	<b>1,506,443</b>	1,506,443	<b>1,506,443</b>	1,506,443
Subordinated Sukuk 2017/2027 RM300 million	(n)	-	-	-	-
Subordinated Debts 2018/2028 RM700 million	(o)	<b>709,018</b>	-	<b>709,018</b>	-
Subordinated Notes 2018/2028 RM390 million	(p)	<b>93,154</b>	-	-	-
Subordinated Debts 2018/2029 RM1.2 billion	(q)	<b>1,217,648</b>	-	<b>1,217,648</b>	-
Additional Tier I Securities RM1.0 billion	(r)	<b>1,010,356</b>	-	<b>1,010,356</b>	-
		<b>11,289,084</b>	10,360,842	<b>10,389,792</b>	9,533,415
Fair value changes arising from fair value hedges		<b>9,292</b>	476	<b>9,292</b>	476
		<b>11,298,376</b>	10,361,318	<b>10,399,084</b>	9,533,891

## **CIMB Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **33 Subordinated obligations (Continued)**

##### **(a) Subordinated Bonds 2008/2038 RM1.0 billion**

The RM1.0 billion subordinated bonds (“the RM1.0 billion Bonds”) were issued at par on 7 October 2008 under the Innovative Tier I Capital Securities Programme which was approved by the Securities Commission on 24 September 2008. The RM1.0 billion Bonds are due on 7 October 2038 and callable with step-up interest on 7 October 2018. The bonds bear an interest rate of 6.7% per annum payable semi-annually in arrears for the first ten years, after which the interest rate will be reset at a rate per annum equal to the 3-month KLIBOR plus 2.98%.

The Bank may at its option, subject to the prior approval of BNM, redeem the RM1.0 billion subordinated bonds in whole but not in part, on 7 October 2018 or any interest payment date thereafter, at their principal amount plus accrued interest.

The RM1.0 billion Bonds qualify as Tier I Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

The Bank redeemed its RM1.0 billion subordinated bonds on its first optional redemption date of 5 October 2018.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **33 Subordinated obligations (Continued)**

##### **(b) Subordinated Sukuk RM850 million**

The RM850 million unsecured subordinated Sukuk (“the Sukuk”) is part of the Tier II Junior Sukuk programme by the Bank’s direct subsidiary, CIMB Islamic Bank which was approved by the Securities Commission on 22 May 2009. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

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

CIMB Islamic Bank redeemed in full, the second tranche of the Sukuk of RM250 million on its first optional redemption date of 21 April 2016.

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

CIMB Islamic Bank redeemed in full, the third tranche of the Sukuk of RM300 million on its first optional redemption date of 18 September 2017.

The Sukuk qualifies as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic Bank (subject to the gradual phase-out treatment under Basel III).



## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **33 Subordinated obligations (Continued)**

##### **(c) Subordinated Debts RM2 billion**

The Bank has on 23 December 2010 completed the issuance of unsecured RM2.0 billion Subordinated Debt.

The RM2.0 billion Subordinated Debt issuance was issued under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.0 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter (“10 years tranche”), and another RM1.0 billion tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter (“15 years tranche”). Redemption of the Subordinated Debt on the call dates shall be subject to BNM’s approval.

The coupon rate for the Subordinated Debt is 4.3% and 4.8% for the 10 years tranche and the 15 years tranche respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for the Bank’s working capital purposes.

The subordinated debts qualify as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

On 23 December 2015, the Bank redeemed in full the RM1.0 billion 10 years tranche Subordinated Debt on its first optional redemption date of 23 December 2015.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **33 Subordinated obligations (Continued)**

##### **(d) Subordinated Debt RM1.5 billion**

The Bank has on 8 August 2011 completed the issuance of RM1.5 billion unsecured Subordinated Debt.

The RM1.5 billion Subordinated Debt issuance was the second issuance under the RM5.0 billion Subordinated Debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The Subordinated Debt was issued in 2 separate tranches, a RM1.35 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter (“Tranche 1”), and another RM150 million tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter (“Tranche 2”). Redemption of the Subordinated Debt on the call dates shall be subject to BNM’s approval.

The coupon rate for the Subordinated Debt is 4.15% and 4.70% for Tranche 1 and Tranche 2 respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for the Bank’s working capital purposes.

The Bank redeemed its RM1.35 billion (Tranche 1) Basel II-compliant Tier II Subordinated Debt on its first optional redemption date of 8 August 2016.

The Bank has undertaken fair value hedge on the interest rate risk of the RM150 million subordinated debts using interest rate swaps.

The Subordinated Debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **33 Subordinated obligations (Continued)**

#### **(e) Subordinated Debts 2013/2023 RM1.05 billion**

On 1 August 2013 the Bank has successfully set up a Basel III Compliant Tier II Subordinated Debt Issuance Programme of up to RM10.0 billion in nominal value (“Basel III Subordinated Debt Programme”). The Basel III Subordinated Debt Programme was approved by the Securities Commission on 10 June 2013.

The Bank has on 13 September 2013 completed the inaugural issuance of a RM750 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM750 million tranche at 4.80% per annum with a maturity of 10 years non-callable at the end of year 5.

The Bank has on 16 October 2013 completed the second issuance of a RM300 million Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM300 million at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to BNM's approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Bank.

The RM1.05 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Bank redeemed in full the RM750 million and RM300 million 10 years tranche Subordinated Debt on its first optional redemption date of 13 September 2018 and 16 October 2018 respectively.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **33 Subordinated obligations (Continued)**

#### **(f) Subordinated Debts 2014/2024 RM400 million**

On 7 July 2014, CIMB Thai Bank issued RM400 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes (“RM400 million Notes”) to their overseas investors. The RM400 million Notes carry fixed interest rate of 5.60% per annum payable every six months on 7 July and 7 January.

The RM400 million Notes will mature on 5 July 2024. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after issue date, on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

CIMB Thai Bank has an approval from Bank of Thailand to classify the RM400 million Notes as Tier II capital according to the correspondence For Kor Kor. (02) 453/2557.

#### **(g) Subordinated Debts 2015/2025 RM2 billion**

On 23 December 2015, the Bank completed the third issuance of a RM2.0 billion Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM2.0 billion at 5.15% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to BNM’s approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Bank.

The RM2 billion Subordinated Debt qualifies as Tier II capital under the BNM’s Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Bank has undertaken fair value hedge on the interest rate risk of the RM2.0 billion subordinated debts using interest rate swaps.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **33 Subordinated obligations (Continued)**

##### **(h) Additional Tier I Securities RM1.0 billion**

On 25 May 2016, the Bank issued a nominal value RM1.0 billion perpetual subordinated capital securities (“Additional Tier I Securities”). The securities, which qualify as Additional Tier I Capital for the Bank, carry a distribution rate of 5.80% p.a.

The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM.

The Bank has undertaken fair value hedge on the interest rate risk of the RM1.0 billion subordinated debts using interest rate swaps.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

##### **(i) Subordinated Notes 2016/2026 RM570 million**

On 11 July 2016, CIMB Thai Bank issued RM570 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM570 million Notes carry fixed interest rate of 5.35% per annum payable every six months.

The RM570 million Notes will mature on 10 July 2026. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after issue date, on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

CIMB Thai Bank has an approval from Bank of Thailand to classify the RM570 million Notes (equivalent to THB4,710,435,721) as Tier II capital according to the correspondence For Kor Kor. (02) 414/2559.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **33 Subordinated obligations (Continued)**

##### **(j) Subordinated debts 2016/2026 RM1.35 billion**

On 8 August 2016, the Bank completed the fourth issuance of a RM1.35 billion Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM1.35 billion at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to BNM's approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Bank.

The RM1.35 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Bank has undertaken fair value hedge on the interest rate risk of the RM1.35 billion subordinated debts using interest rate swaps.

##### **(k) Subordinated Sukuk 2016/2026 RM10 million**

On 21 September 2016, CIMB Islamic Bank had issued RM10 million Tier II Junior Sukuk ("Sukuk") at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM10 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic Bank.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **33 Subordinated obligations (Continued)**

#### **(l) Additional Tier I Securities RM400 million**

On 16 December 2016, the Bank issued a nominal value RM400 million perpetual subordinated capital securities (“Additional Tier I Securities”). The securities, which qualify as Additional Tier I Capital for the Bank, carry a distribution rate of 5.50% p.a.

The Additional Tier I Securities is perpetual with an Issuer’s call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM.

The Bank has undertaken fair value hedge on the interest rate risk of the RM400 million subordinated debts using interest rate swaps.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

#### **(m) Subordinated debts 2017/2027 RM1.5 billion**

On 30 November 2017, the Bank completed the fifth issuance of a RM1.5 billion Subordinated Debt under the Basel III Subordinated Debt Programme. The Subordinated Debt was issued as a single tranche of RM1.5 billion at 4.90% per annum with a maturity of 10 years non-callable at the end of year 5.

Redemption of the Subordinated Debts on the call dates shall be subject to BNM’s approval. There is no step up coupon after call dates. The proceeds of the Subordinated Debts shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Bank.

The RM1.5 billion Subordinated Debt qualifies as Tier II capital under the BNM’s Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Bank has undertaken fair value hedge on the interest rate risk of the RM1.5 billion subordinated debts using interest rate swaps.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **33 Subordinated obligations (Continued)**

#### **(n) Subordinated Sukuk 2017/2027 RM300 million**

On 28 December 2017, CIMB Islamic Bank had issued RM300 million Tier II Junior Sukuk (“Sukuk”) at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic Bank.

The Sukuk was held by the Bank, hence the amount was eliminated at consolidated level.

#### **(o) Subordinated debts 2018/2028 RM700 million**

On 29 March 2018, the Bank issued RM700 million 10 years non-callable 5 years Tier 2 subordinated debt to CIMB Group Holdings Berhad bearing a fixed rate coupon of 4.95% p.a. The said subordinated debt was issued from the existing RM10 billion Tier 2 subordinated debt programme.

#### **(p) Subordinated notes 2018/2028 RM390 million**

On 29 March 2018, CIMB Thai Bank issued RM390 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM390 million Notes carry fixed interest rate of 5.20% per annum payable every six months. The RM390 million Notes will mature on 29 March 2028. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand. CIMB Thai Bank has an approval from Bank of Thailand to classify the RM390 million Notes (equivalent to THB3,157,479,000) as Tier II capital according to the correspondence For Kor Kor. 221/2561.



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **33 Subordinated obligations (Continued)**

#### **(q) Subordinated debt 2018/2029 RM1.2 billion**

On 13 September 2018, the Bank issued RM1.2 billion 11 years non-callable 6 years Tier 2 subordinated debt to CIMB Group Holdings Berhad bearing a fixed rate coupon of 4.88% p.a.. The said subordinated debt was issued from the existing RM10 billion Tier 2 subordinated debt programme.

#### **(r) Additional Tier I Securities RM1.0 billion**

On 23 October 2018, the Bank issued a nominal value RM1.0 billion perpetual subordinated capital securities ("Additional Tier 1 Securities"). The securities, which qualify as Additional Tier 1 Capital for the Bank, carry a distribution rate of 5.40% p.a. The Additional Tier 1 Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****34 Redeemable preference shares**

	<b>The Group and The Bank</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Issued and fully paid</b>		
<b>Redeemable preference shares (equity)</b>		
At 1 January/31 December	<u>29,740</u>	<u>29,740</u>

On 30 January 2008, the Bank issued 2,974,009,486 Redeemable Preference Shares (“RPS”) to the Bank’s minority shareholders and to CIMB Group at an issue price of RM0.01 each, which was approved by the shareholders via an Extraordinary General Meeting on the same date.

The main features of the RPS are as follows:

- (i) The RPS will rank equal in all respects with each other and senior to ordinary shares.
- (ii) The RPS will be fully paid-up upon issue and allotment.
- (iii) The RPS will not carry any fixed dividend but ranks the most senior in terms of dividend distribution.
- (iv) The RPS will not carry any voting rights.
- (v) The RPS will only be redeemable, subject to BNM’s approval, at the option of the Bank.
- (vi) The RPS will not be convertible.
- (vii) The RPS will not be earmarked to any particular assets or banking activities.
- (viii) The RPS will not represent any fixed charge on the earnings of the Bank.

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****35 Ordinary share capital**

	Note	The Group and The Bank	
		2018 RM'000	2017 RM'000
<b>Issued and fully paid shares:</b>			
At 1 January		17,610,939	5,276,655
Transition to no-par value regime on 31 January 2017	37(j)	-	10,910,056
Issue of shares from rights issue		2,477,406	1,424,228
At 31 December		<u>20,088,345</u>	<u>17,610,939</u>

**(a) Transition to no-par value regime on 31 January 2017**

The new Companies Act, 2016 (the “Act”), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank’s share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Sections 618 (3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

**(b) Increase in issued and paid-up capital**

On 29 June 2018, the CIMB Bank issued 224.6 million Rights Issue at RM5.69 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM1,278 million.

On 21 December 2018, CIMB Bank issued 217.7 million Rights Issue at RM5.51 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM1,199 million.

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 36 Perpetual preference shares

	The Group and The Bank	
	2018	2017
	RM'000	RM'000
Issued and fully paid		
Perpetual preference shares:		
At 1 January/31 December	<u>200,000</u>	<u>200,000</u>

The main features of the Perpetual Preference Shares (“PPS”) are as follows:

- (a) The PPS have no right to dividends.
- (b) In the event of liquidation, dissolution or winding-up of the Bank, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of the Bank.
- (c) The PPS rank pari passu in all aspects among themselves.
- (d) The Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act, 2016 and as approved by BNM.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **37 Reserves**

- (a) The statutory reserve is maintained in compliance with BNM guidelines. Effective 3 May 2017, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.

The statutory reserves of the foreign banking subsidiaries of the Group are in compliance with rules and regulations of the respective authorities.

- (b) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.
- (c) Capital reserves, which are non-distributable, relate to the retained earnings of Bumiputra-Commerce Finance Berhad (now known as Mutiara Aset Berhad) and CIMB Investment Bank Berhad, and the four months profit of SBB Berhad (formerly known as Southern Bank Berhad) from 1 July 2006 to 31 October 2006 which were transferred to the Bank, arising from the business combinations under common control using the predecessor basis of accounting in financial year 2006.
- (d) Merger deficit, which is non-distributable, relates to the difference between the cost of the merger between the Bank and CIMB Investment Bank Berhad and SBB Berhad (formerly known as Southern Bank Berhad) in 2006 and the value of the net assets and reserves transferred to the Bank and the Group.

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****37 Reserves (Continued)**

- (e) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (f) Hedging reserve mainly arise from net investment hedge activities undertaken by the Bank on overseas operations and foreign subsidiaries. The reserve is non-distributable and is reversed to the statement of income when the foreign operations and subsidiaries are partially or fully disposed. The Group and the Bank have also entered into cash flow hedges on senior bond issued and interbranch lending.
- (g) 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 (prior to 2018: MFRS 139 beginning 1 January 2010).

On 2 February 2018, BNM issued the revised policy on Financial Reporting and Financial Reporting for Islamic Banking Institutions which requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

- (h) Share-based payment reserve arose from Employee Ownership Plan, the Group's and the Bank's share-based compensation benefits.
- (i) Defined benefit reserves relate to the cumulative actuarial gains and losses on defined benefit plans.
- (j) Share premium

		<b>The Group and The Bank</b>
		2017
		RM'000
Relating to - Ordinary shares		
At 1 January		10,910,056
Transition to no-par value regime on 31 January 2017	<b>35</b>	<u>(10,910,056)</u>
At 31 December		<u>-</u>

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **37 Reserves (Continued)**

- (k) For debt instruments at FVOCI, changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.
- (l) The Group and the Bank have elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group and the Bank transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.
- (m) The Group and the Bank designate the spot component of foreign currency forward contracts and the intrinsic value of foreign currency option contracts as hedging instruments in cash flow hedge relationships. The Group and the Bank defer changes in the forward element of foreign currency forward contracts and the time value element of foreign currency option contracts in the costs of hedging reserve. The deferred costs of hedging are included in the initial cost of the related inventory when it is recognised.
- (n) Changes in fair value relating to the Group's and the Bank's own credit risk are recognised in other comprehensive income. These changes are also accumulated within own credit risk reserve within equity.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****38(a) Interest income**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- interest income	10,475,926	10,160,080	8,651,132	8,376,952
- unwinding income <sup>^</sup>	104,325	82,632	78,790	62,774
Money at call and deposits with financial institutions	711,349	664,715	1,035,682	827,561
Reverse repurchase agreements	170,455	129,958	162,497	118,415
Debt instruments at fair value through other comprehensive income	784,531	-	701,124	-
Debt instruments at amortised cost	1,100,334	-	1,088,565	-
Equity instruments at fair value through other comprehensive income	21,892	-	21,892	-
Financial assets held for trading	-	393,667	-	365,347
Financial investments available-for- sale	-	779,367	-	696,573
Financial investments held-to-maturity	-	1,051,044	-	1,014,277
	<b>13,368,812</b>	<b>13,261,463</b>	<b>11,739,682</b>	<b>11,461,899</b>
Net accretion of discount less amortisation of premium	9,708	(1,949)	19,399	28,061
	<b>13,378,520</b>	<b>13,259,514</b>	<b>11,759,081</b>	<b>11,489,960</b>

<sup>^</sup> Unwinding income is interest income earned on credit impaired financial assets**38(b) Other interest income for financial assets at fair value through profit or loss**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through profit or loss	493,033	-	419,216	-
Reverse repurchase agreements at fair value through profit or loss	16,319	-	16,319	-
	<b>509,352</b>	<b>-</b>	<b>435,535</b>	<b>-</b>
Net accretion of discount less amortisation of premium	112,295	-	116,522	-
	<b>621,647</b>	<b>-</b>	<b>552,057</b>	<b>-</b>



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****39 Interest expense**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits and placements of banks and other financial institutions	<b>444,997</b>	305,651	<b>419,185</b>	281,683
Deposits from customers	<b>5,000,820</b>	4,697,426	<b>4,674,207</b>	4,369,109
Repurchase agreements	<b>268,191</b>	104,086	<b>247,270</b>	100,580
Financial liabilities designated at fair value through profit or loss	<b>126,669</b>	124,282	<b>71,186</b>	76,906
Negotiable certificates of deposits	<b>104,406</b>	110,807	<b>100,447</b>	106,498
Recourse obligation on loan and financing sold to Cagamas	<b>140,744</b>	119,156	<b>140,744</b>	119,156
Bonds, Sukuk and debentures	<b>434,414</b>	299,344	<b>394,149</b>	269,454
Subordinated obligations	<b>539,544</b>	508,984	<b>507,479</b>	461,329
Other borrowings	<b>165,129</b>	113,500	<b>183,648</b>	123,755
Structured deposits	<b>108,892</b>	69,489	<b>108,892</b>	69,489
	<b>7,333,806</b>	6,452,725	<b>6,847,207</b>	5,977,959

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****40 Net non-interest income**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Net fee and commission income</b>				
Commissions	723,026	582,745	599,762	452,598
Fee on loans and advances	506,834	461,138	497,980	453,377
Service charges and fees	516,421	537,428	445,040	454,145
Guarantee fees	63,246	65,919	52,122	53,586
Other fee income	300,455	275,243	243,205	225,163
Fee and commission income	2,109,982	1,922,473	1,838,109	1,638,869
Fee and commission expense	(466,927)	(466,395)	(428,693)	(437,340)
Net fee and commission income	1,643,055	1,456,078	1,409,416	1,201,529
<b>Gross dividend income from:</b>				
<u>In Malaysia</u>				
Financial assets at fair value through profit or loss	49,748	-	49,616	-
Equity instruments at fair value through other comprehensive income	1,039	-	1,001	-
Financial assets held for trading	-	50,363	-	50,363
Financial investments available-for-sale	-	24,475	-	24,343
	50,787	74,838	50,617	74,706
<u>Outside Malaysia</u>				
Equity instruments at fair value through other comprehensive income	1,296	-	-	-
Debt instruments at fair value through other comprehensive income	16	-	-	-
Financial investments available-for-sale	-	1,757	-	-
	1,312	1,757	-	-
<b>Net (loss)/gain arising from financial assets at fair value through profit or loss</b>				
- realised	(658,121)	-	(641,439)	-
- unrealised	71,920	-	31,592	-
	(586,201)	-	(609,847)	-
<b>Net gain/(loss) arising from derivative financial instruments</b>				
- realised	1,281,312	621,527	894,995	526,916
- unrealised	540,278	(1,022,472)	817,737	(1,203,406)
	1,821,590	(400,945)	1,712,732	(676,490)
<b>Net (loss)/gain arising from financial liabilities designated at fair value</b>				
- realised	71,255	(26,167)	102,651	(15,470)
- unrealised	(162,587)	(205,184)	(152,180)	(43,113)
	(91,332)	(231,351)	(49,529)	(58,583)

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****40 Net non-interest income (Continued)**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net loss arising from hedging activities	(13,543)	(5,894)	(9,525)	(6,221)
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	28,034	-	25,829	-
Net gain arising from financial assets held for trading				
- realised	-	73,152	-	40,440
- unrealised	-	470,920	-	451,635
	-	544,072	-	492,075
Net gain from sale of financial investments available-for-sale	-	98,380	-	84,336
Net gain from redemption of financial investments held-to-maturity	-	1,878	-	1,878
Net loss from redemption of debt instruments at amortised cost	(811)	-	(811)	-
<b>Other non-interest income</b>				
Foreign exchange (loss)/gain	(72,386)	1,406,935	(89,668)	1,443,938
Rental income	10,824	13,515	9,845	11,697
Gain on disposal of property, plant and equipment/assets held for sale	14,148	20,763	15,163	16,294
Loss on disposal of foreclosed assets	(70,310)	(42,384)	-	-
Gain on disposal of leased assets	-	212	-	-
Loss on disposal of subsidiaries	(47)	-	(2,127)	-
Gain on disposal of associate	-	43,365	-	624,135
Others	29,847	63,007	30,166	23,870
	(87,924)	1,505,413	(36,621)	2,119,934
	<b>2,764,967</b>	<b>3,044,226</b>	<b>2,492,261</b>	<b>3,233,164</b>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****41 Overheads**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	2,837,771	2,647,758	2,249,435	2,109,545
- Pension cost (defined contribution plan)	281,904	257,709	258,951	236,172
- Pension cost (defined benefit plan)	19,689	19,950	-	-
- Overtime	14,919	15,949	9,773	10,512
- Staff incentives and other staff payments	170,308	166,346	127,577	132,626
- Medical expenses	94,108	89,713	88,592	83,756
- Others	89,865	97,059	50,740	60,669
	<b>3,508,564</b>	<b>3,294,484</b>	<b>2,785,068</b>	<b>2,633,280</b>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	174,699	188,910	131,284	144,329
- Amortisation of prepaid lease payments	10	10	-	-
- Amortisation of intangible assets	213,020	183,150	188,044	160,392
- Rental	309,056	300,199	255,212	251,411
- Repairs and maintenance	342,633	293,353	307,917	254,793
- Outsourced services	73,231	97,913	61,615	90,788
- Security expenses	92,580	97,730	87,952	96,709
- Utility expenses	49,905	45,719	40,524	36,275
- Others	34,521	52,814	20,410	35,031
	<b>1,289,655</b>	<b>1,259,798</b>	<b>1,092,958</b>	<b>1,069,728</b>
<b>Marketing expenses</b>				
- Sales commission	7,220	6,458	1,354	1,002
- Advertisement	184,856	158,140	157,455	127,343
- Others	32,582	25,199	28,875	23,040
	<b>224,658</b>	<b>189,797</b>	<b>187,684</b>	<b>151,385</b>
<b>Administration and general expenses</b>				
- Communication	25,094	26,245	19,068	18,633
- Consultancy and professional fees	57,689	69,524	38,723	56,098
- Legal expenses	7,393	30,002	(1,721)	9,536
- Stationery	29,179	30,588	19,750	21,678
- Postages	42,108	46,892	33,779	38,027
- Administrative travelling and vehicle expenses	36,317	43,751	25,544	33,417
- Incidental expenses on banking operations	47,619	37,356	32,039	25,184
- Insurance	180,463	171,365	44,979	41,028
- Others	327,980	288,367	253,999	250,411
	<b>753,842</b>	<b>744,090</b>	<b>466,160</b>	<b>494,012</b>
<b>Shared service cost</b>	<b>34,577</b>	<b>45,164</b>	<b>(470,512)</b>	<b>(398,130)</b>
	<b>5,811,296</b>	<b>5,533,333</b>	<b>4,061,358</b>	<b>3,950,275</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****41 Overheads (Continued)**

The above expenditure includes the following:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Directors' remuneration (Note 45)	<b>12,449</b>	13,281	<b>11,851</b>	12,665
Hire of equipment	<b>39,184</b>	34,738	<b>32,653</b>	34,271
Lease rental	<b>13,877</b>	5,756	<b>13,217</b>	5,751
Auditors' remuneration:				
PricewaterhouseCoopers PLT (audit)				
- statutory audit	<b>3,932</b>	3,378	<b>3,360</b>	2,860
- limited review	<b>955</b>	823	<b>886</b>	763
- other audit related	<b>3,655</b>	481	<b>3,019</b>	248
PricewaterhouseCoopers PLT (non audit)	<b>217</b>	365	<b>130</b>	228
Other member firms of PwC International Limited (audit)				
- statutory audit	<b>2,536</b>	1,878	<b>1,579</b>	1,211
- limited review	<b>874</b>	781	<b>149</b>	127
- other audit related	<b>1,943</b>	180	<b>1,048</b>	18
Other member firms of PwC International Limited (non audit)	<b>1,436</b>	684	<b>1,436</b>	511
Property, plant and equipment written-off	<b>2,945</b>	6,600	<b>1,930</b>	1,909

PricewaterhouseCoopers PLT and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****42 Expected credit losses/allowance for impairment losses on loans, advances and financing**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Expected credit losses/allowance for impairment losses on loans, advances and financing at amortised cost:				
- Expected credit losses on loans, advances and financing	1,104,377	-	520,957	-
- Individual impairment allowance	-	713,087	-	250,233
- Portfolio impairment allowance	-	778,441	-	375,862
Credit impaired/Impaired loans, advances and financing:				
- recovered	(396,045)	(351,116)	(202,269)	(190,253)
- written off	12,832	18,043	9,584	13,586
	<u>721,164</u>	<u>1,158,455</u>	<u>328,272</u>	<u>449,428</u>

**43 Other expected credit losses/allowance (written-back)/made for other impairment losses**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Expected credit losses/allowance (written-back)/made on:				
- Debt instrument at fair value through other comprehensive income	(1,900)	-	(3,009)	-
- Debt instrument at amortised cost	87,334	-	90,751	-
- Money at call and deposits and placements with banks and other financial institutions	124	-	(385)	-
- Other assets	3,808	4,526	(2,779)	(1,884)
- Financial investments available-for-sale	-	39,880	-	39,296
	<u>89,366</u>	<u>44,406</u>	<u>84,578</u>	<u>37,412</u>

# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 44 Significant related party transactions and balances

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

<b>Related parties</b>	<b>Relationship</b>
CIMB Group Holdings Berhad	Ultimate holding company
CIMB Group Sdn. Bhd.	Holding company
Subsidiaries of the Bank as disclosed in Note 18	Subsidiaries
SBB Berhad	Subsidiary of ultimate holding company
Commerce Asset Realty Sdn. Bhd.	Subsidiary of ultimate holding company
Commerce MGI Sdn. Bhd.	Subsidiary of ultimate holding company
CIMB Investment Bank Berhad	Subsidiary of holding company
PT Bank CIMB Niaga Tbk and Group	Subsidiary of holding company
Commerce International Group Berhad	Subsidiary of holding company
Commerce Asset Ventures Sdn. Bhd. and Group	Subsidiary of holding company
Joint venture of the Bank as disclosed in Note 19	Joint venture
Key management personnel	See below

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the 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.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****44 Significant related party transactions and balances (Continued)****(b) Related party transactions**

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

	← The Group and the Bank →	The Group	← The Bank →		Key management personnel	
	Holding and Ultimate Holding Company RM'000	Other related companies RM'000	Associate and joint venture RM'000	Key management personnel RM'000	Subsidiaries RM'000	Key management personnel RM'000
<b>2018</b>						
<b>Income</b>						
Interest on deposits and placements with financial institutions	-	7,165	-	-	373,391	-
Interest on loans, advances and financing	3,063	18,400	-	286	980	32
Interest on securities	609	-	-	-	52,344	-
Dividends	-	-	-	-	-	-
Others	4,428	53,240	40,791	74	20,775	74
<b>Expenditure</b>						
Interest on deposits from customers and securities sold under repurchase agreements	33,213	20,206	388	520	20,104	290
Interest on deposits and placements of banks and other financial institutions	-	2,952	-	-	28,350	-
Interest on other borrowing	-	-	-	-	31,183	-
Interest on subordinated bonds	310,895	2,588	-	-	-	-
Rental of premises	315	23,155	-	-	504	-
Shared service cost	-	21,257	-	-	(491,769)	-
Dividends	2,768,127	-	-	-	-	-
Others	-	69,375	-	-	77,670	-
	<b>2017</b>					
<b>Income</b>						
Interest on deposits and placements with financial institutions	-	13,772	-	-	218,396	-
Interest on loans, advances and financing	25,598	17,192	-	222	3,581	102
Interest on securities	292	-	-	-	26,391	-
Dividends	-	-	-	-	-	-
Others	1,434	46,555	45,006	213	16,586	64
<b>Expenditure</b>						
Interest on deposits from customers and securities sold under repurchase agreements	24,603	25,534	10,231	340	9,027	74
Interest on deposits and placements of banks and other financial institutions	-	1,763	-	-	23,091	-
Interest on other borrowing	-	-	-	-	25,495	-
Interest on subordinated bonds	189,444	3,891	-	-	-	-
Rental of premises	284	22,592	-	-	372	-
Shared service cost	-	45,071	-	-	(443,201)	-
Dividends	2,127,129	-	-	-	-	-
Others	-	74,398	-	-	81,191	-



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****44 Significant related party transactions and balances (Continued)****(c) Related party balances**

	← The Group and the Bank →			The Group	← The Bank →	
	Holding and Ultimate Company	Other related companies	Associate and joint venture	Key management personnel	Subsidiaries	Key management personnel
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amounts due from</b>						
Current accounts, deposits and placements with banks and other financial institutions	-	187,676	-	-	1,002,731	-
Placement from Investment Account	-	-	-	-	8,216,809	-
Loans, advances and financing	-	516,240	-	53,719	3,001	13,251
Derivative financial instruments	-	-	-	-	575,149	-
Investments securities	6,738	-	-	-	1,128,128	-
Others	1,823	161,681	1,010,564	-	12,485	-
<b>Amounts due to</b>						
Deposits from customers and securities sold under repurchase agreements	277,698	1,054,789	-	36,116	844,334	15,101
Deposits and placements of banks and other financial institutions	-	114,594	-	-	1,381,239	-
Other borrowings	-	-	-	-	756,398	-
Derivative financial instruments	-	-	-	-	231,660	-
Subordinated obligations	7,917,554	58,320	-	-	-	-
Others	-	5,277	-	-	382,161	-
<b>Commitment and contingencies</b>						
Foreign exchange related contracts	-	-	-	-	13,296,610	-
Equity related contracts	-	135,513	-	-	129,201	-
Interest rate related contracts	-	-	-	-	24,415,797	-
Credit related contracts	-	-	-	-	701,386	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****44 Significant related party transactions and balances (Continued)****(c) Related party balances (Continued)**

	← The Group and the Bank →			The Group	← The Bank →	
	Holding and Ultimate Holding Company	Other related companies	Associate and joint venture	Key management personnel	Subsidiaries	Key management personnel
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2017</b>						
<b>Amounts due from</b>						
Current accounts, deposits and placements with banks and other financial institutions	-	271,433	-	-	1,699,912	-
Placement from Investment Account	-	-	-	-	8,145,684	-
Loans, advances and financing	200,106	511,116	-	25,090	38,000	18,525
Derivative financial instruments	-	-	-	-	545,680	-
Investments securities	3,329	-	-	-	814,651	-
Others	-	185,386	1,075,250	-	1,711	-
<b>Amounts due to</b>						
Deposits from customers and securities sold under repurchase agreements	332,702	906,404	-	79,110	612,030	50,190
Deposits and placements of banks and other financial institutions	-	68,670	-	-	1,490,941	-
Other borrowings	-	-	-	-	829,234	-
Derivative financial instruments	-	-	-	-	423,994	-
Subordinated obligations	4,941,161	1,319,970	-	-	-	-
Others	-	35,507	-	-	165,035	-
<b>Commitment and contingencies</b>						
Foreign exchange related contracts	-	-	-	-	12,145,637	-
Equity related contracts	-	140,554	-	-	210,791	-
Interest rate related contracts	-	-	-	-	20,693,606	-
Credit related contracts	-	-	-	-	678,653	-

Other related party balances are unsecured, non-interest bearing and repayable on demand.

**(d) Related party expenses transaction by geographical**

	← The Group and the Bank →					← The Bank →				
	Interest expense	Rental of premises	Shared service cost	Dividends	Others	Interest expense	Rental of premises	Shared service cost	Dividends	Others
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	370,046	23,419	21,257	2,768,127	67,289	446,749	23,923	(470,512)	2,768,127	144,959
Singapore	196	51	-	-	1,001	196	51	-	-	1,001
Cambodia	-	-	-	-	-	2,935	-	-	-	-
Hong Kong	-	-	-	-	1,085	-	-	-	-	1,085
	<b>370,242</b>	<b>23,470</b>	<b>21,257</b>	<b>2,768,127</b>	<b>69,375</b>	<b>449,880</b>	<b>23,974</b>	<b>(470,512)</b>	<b>2,768,127</b>	<b>147,045</b>

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****44 Significant related party transactions and balances (Continued)**

## (e) Key management personnel

Key management compensation

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Salaries and other employee benefits <sup>#</sup>	<b>110,598</b>	110,538	<b>47,915</b>	48,328
Shares of the ultimate holding company (units)	<b>3,675,568</b>	4,125,374	<b>1,463,796</b>	1,471,956

*# includes compensation paid by other related companies*

Loans to Directors of the Group and the Bank (including Directors of subsidiary) amounting to RM6,367,622 (2017: RM2,266,054) and RM3,193,193 (2017: RM2,266,054) respectively. Loans made to Directors and other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No ECL/allowances were required in 2018 and 2017 for loans, advances and financing made to the key management personnel.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****44 Significant related party transactions and balances (Continued)**

## (f) 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 of the Group and the Bank. Under the EOP, earmarked portions of variable remuneration of the selected employees of the Group and the Bank will be utilised to purchase ordinary shares of CIMB Group from the open market. The purchased shares will be released progressively to the eligible employees at various dates subsequent to the purchase date, subject to continued employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer date. 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 RM54,065,000 (2017: RM45,389,000) and RM48,230,000 (2017: RM39,884,000) respectively.

The weighted average fair value of shares awarded under EOP was RM7.07 per ordinary share (2017: RM5.41 per ordinary share), based on market price during the period in which they were purchased.

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

	The Group		The Bank	
	2018	2017	2018	2017
	Units	Units	Units	Units
	'000	'000	'000	'000
<b>Shares</b>				
At 1 January	16,035	14,155	13,927	12,202
Awarded	7,728	9,891	6,523	8,607
Released	(10,353)	(8,011)	(9,008)	(6,882)
At 31 December	<u>13,410</u>	<u>16,035</u>	<u>11,442</u>	<u>13,927</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****44 Significant related party transactions and balances (Continued)****(g) Credit transactions and exposures with connected parties**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Outstanding credit exposures with connected parties	<b>11,164,557</b>	10,292,353	<b>8,693,651</b>	8,082,182
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	<b>2.5%</b>	2.5%	<b>2.6%</b>	2.5%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<b>0.0%</b>	0.0%	<b>0.0%</b>	0.0%

**(h) Transactions with shareholders and Government**

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 26.8% of the issued capital of the ultimate holding company (2017: 27.3%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****45 Directors' remuneration**

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

Non-Executive Directors

Dato' Zainal Abidin bin Putih  
 Puan Rosnah Dato' Kamarul Zaman  
 Mr. Venkatachalam Krishnakumar  
 Datin Grace Yeoh Cheng Geok  
 Dato' Sri Amrin bin Awaluddin  
 Datuk Mohd Nasir bin Ahmad  
 Dato' Lee Kok Kwan  
 Ms. Serena Tan Mei Shwen  
 Dato' Sri Mohamed Nazir bin Abdul Razak (resigned on 19 October 2018)  
 Encik Afzal bin Abdul Rahim (resigned on 31 January 2019)

Executive Director

Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive Directors				
- Salary and other remuneration	<b>8,689</b>	9,861	<b>8,689</b>	9,861
- Benefits-in-kind	<b>7</b>	24	<b>7</b>	24
	<b>8,696</b>	9,885	<b>8,696</b>	9,885
Non-Executive Directors				
- Fees	<b>1,702</b>	1,413	<b>1,320</b>	1,025
- Other remuneration	<b>2,018</b>	1,946	<b>1,802</b>	1,718
- Benefits-in-kind	<b>33</b>	37	<b>33</b>	37
	<b>3,753</b>	3,396	<b>3,155</b>	2,780
	<b>12,449</b>	13,281	<b>11,851</b>	12,665

The Directors' cash bonus for the financial year 2018 will be paid in tranches, spread over financial year 2019, while for financial year 2017, it was similarly paid in tranches, spread over financial year 2018. A similar condition is also imposed on the cash bonus for certain key personnel.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****45 Directors' remuneration (Continued)**

	Salary and/or other Fees remuneration		Benefits-in-kind	The Group Total	Salary and/or other Fees remuneration		Benefits-in-kind	The Bank Total
	RM'000	RM'000			RM'000	RM'000		
<b>2018</b>								
<b>Executive Directors</b>								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	-	8,689	7	8,696	-	8,689	7	8,696
	-	8,689	7	8,696	-	8,689	7	8,696
<b>Non-Executive Directors</b>								
Dato' Zainal Abidin bin Putih	150	380	33	563	150	380	33	563
Puan Rosnah Dato' Kamarul Zaman	290	580	-	870	150	385	-	535
Mr. Venkatachalam Krishnakumar	150	65	-	215	150	65	-	215
Datin Grace Yeoh Cheng Geok	150	150	-	300	150	150	-	300
Dato' Sri Amrin bin Awaluddin	150	55	-	205	150	55	-	205
Datuk Mohd Nasir bin Ahmad	150	370	-	520	150	370	-	520
Dato' Lee Kok Kwan	289	156	-	445	150	135	-	285
Ms. Serena Tan Mei Shwen	253	140	-	393	150	140	-	290
Dato' Sri Mohamed Nazir bin Abdul Razak	120	122	-	242	120	122	-	242
Encik Afzal bin Abdul Rahim	-	-	-	-	-	-	-	-
	1,702	2,018	33	3,753	1,320	1,802	33	3,155
	1,702	10,707	40	12,449	1,320	10,491	40	11,851

	Salary and/or other Fees remuneration		Benefits-in-kind	The Group Total	Salary and/or other Fees remuneration		Benefits-in-kind	The Bank Total
	RM'000	RM'000			RM'000	RM'000		
<b>2017</b>								
<b>Executive Directors</b>								
Tengku Dato' Sri Zafrul bin Tengku Abdul Aziz	-	9,861	24	9,885	-	9,861	24	9,885
	-	9,861	24	9,885	-	9,861	24	9,885
<b>Non-Executive Directors</b>								
Dato' Zainal Abidin bin Putih	128	406	37	571	128	406	37	571
Dato' Sri Mohamed Nazir bin Abdul Razak	112	165	-	277	112	165	-	277
Puan Rosnah Dato' Kamarul Zaman	241	538	-	779	124	335	-	459
Mr. Venkatachalam Krishnakumar	112	85	-	197	112	85	-	197
Datin Grace Yeoh Cheng Geok	112	95	-	207	112	95	-	207
Dato' Sri Amrin bin Awaluddin	112	75	-	187	112	75	-	187
Datuk Mohd Nasir bin Ahmad	124	320	-	444	124	320	-	444
Dato' Lee Kok Kwan	273	168	-	441	116	143	-	259
Encik Afzal bin Abdul Rahim	-	*	-	*	-	*	-	*
Ms. Serena Tan Mei Shwen	124	16	-	140	10	16	-	26
Encik Ahmad Zulqarnain Che On	75	78	-	153	75	78	-	153
	1,413	1,946	37	3,396	1,025	1,718	37	2,780
	1,413	11,807	61	13,281	1,025	11,579	61	12,665

\* denote RM217

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 RM823,711 (2017: RM961,714) and RM607,878 (2017: RM799,423) respectively.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****46 Taxation and zakat**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	1,271,261	963,752	992,048	745,426
- Foreign tax	125,932	174,180	75,698	122,663
Deferred taxation (Note 13)	(302,213)	(71,428)	(278,608)	(36,091)
Under/(Over) provision in prior financial years	1,351	(24,962)	4,575	2,304
	<b>1,096,331</b>	<b>1,041,542</b>	<b>793,713</b>	<b>834,302</b>
Zakat	2,100	1,250	-	-
	<b>1,098,431</b>	<b>1,042,792</b>	<b>793,713</b>	<b>834,302</b>

**Reconciliation between tax expense and the Malaysian tax rate**

Profit before taxation and zakat	5,061,206	4,933,777	3,640,237	4,475,167
Less:				
Share of results of joint venture	(2,176)	(4,659)	-	-
	<b>5,059,030</b>	<b>4,929,118</b>	<b>3,640,237</b>	<b>4,475,167</b>
Tax calculated at a rate of 24%	1,214,167	1,182,988	873,657	1,074,040
- different tax rates in Labuan and other countries	(159,104)	(132,989)	(141,542)	(123,402)
- expenses not deductible for tax purposes	71,381	92,514	77,278	79,880
- income not subject to tax	(30,746)	(75,331)	(20,255)	(198,520)
- utilisation of previously unrecognised tax losses	(718)	(678)	-	-
- under/(over) provision in prior financial years	1,351	(24,962)	4,575	2,304
Tax expense	<b>1,096,331</b>	<b>1,041,542</b>	<b>793,713</b>	<b>834,302</b>



## **CIMB Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **47 Earnings per share**

(a) Basic earnings per share

The basic earnings per ordinary share for the Group have been calculated based on the net profit attributable to ordinary equity holders of the Group of RM3,946,402,000 (2017: RM3,884,409,000). For the Bank, the basic earnings per ordinary share have been calculated based on the net profit attributable to ordinary equity holders of the Bank of RM2,846,524,000 (2017: RM3,640,865,000).

Ordinary shares issued arising from business combinations under common control are included in the calculation of the weighted average number of shares from the date the business combination had been effected. The weighted average number of shares in issue during the year of 5,663,611,000 (2017: 5,329,619,000) is used for the computation.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2018 and 31 December 2017.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****48 Dividends**

The gross and net dividend declared per share for each financial year are as follows:

	2018			2017		
	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Net per share sen	Amount of dividend net of tax RM'000
Dividends recognised as distributions to equity holders:						
<u>Interim dividend</u>						
Per ordinary shares - single tier	19.80	19.80	1,140,574	23.90	23.90	1,282,864
<u>Interim dividend - in respect of previous year</u>						
Per ordinary shares - single tier	29.40	29.40	1,627,553	16.00	16.00	844,265
	<u>49.20</u>	<u>49.20</u>	<u>2,768,127</u>	<u>39.90</u>	<u>39.90</u>	<u>2,127,129</u>

The Directors have proposed a single tier second interim dividend of approximately 19.00 sen per share on 5,978,178,653 ordinary shares, amounting to RM1,136 million in respect of the financial year ended 31 December 2018. The single tier second interim dividend was approved by the Board of Directors in a resolution dated 31 January 2019.

The Directors do not recommend the payment of any final dividend on ordinary shares or Redeemable Preference Shares for the financial year ended 31 December 2018.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****49 Lease commitments**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Within one year	<b>212,269</b>	229,559	<b>184,324</b>	201,028
One year to less than five years	<b>313,110</b>	318,083	<b>287,406</b>	287,266
Five years and more	<b>10,471</b>	72,490	<b>10,117</b>	71,976

**50 Capital commitments**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Capital expenditure:				
- authorised and contracted for	<b>251,748</b>	145,133	<b>249,531</b>	142,054
- authorised but not contracted for	<b>1,162,677</b>	839,995	<b>1,044,229</b>	698,541
	<b>1,414,425</b>	985,128	<b>1,293,760</b>	840,595

Analysed as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Property, plant and equipment	<b>624,835</b>	693,997	<b>526,391</b>	589,437
Computer software	<b>789,590</b>	291,131	<b>767,369</b>	251,158
	<b>1,414,425</b>	985,128	<b>1,293,760</b>	840,595

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****51 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 held for trading being pledged as credit support assets for certain over-the-counter derivative contracts.

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in “Derivative Financial Instruments” Assets and Liabilities respectively. Refer to Note 28.

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

	The Group		The Bank	
	2018	2017	2018	2017
	Principal	Principal	Principal	Principal
	RM'000	RM'000	RM'000	RM'000
<i>Credit-related</i>				
Direct credit substitutes	<b>2,850,171</b>	3,940,359	<b>2,556,594</b>	3,359,900
Transaction-related contingent items	<b>6,697,062</b>	6,116,543	<b>4,513,638</b>	4,175,910
Short-term self-liquidating trade-related contingencies	<b>3,432,622</b>	3,767,991	<b>2,788,793</b>	3,106,689
Irrevocable commitments to extend credit :				
- maturity not exceeding one year	<b>57,988,581</b>	53,995,802	<b>44,625,327</b>	43,044,596
- maturity exceeding one year	<b>32,058,573</b>	29,784,625	<b>23,968,970</b>	22,815,345
Miscellaneous commitments and contingencies	<b>936,980</b>	1,018,887	<b>696,537</b>	809,871
Total credit-related commitments and contingencies	<b>103,963,989</b>	98,624,207	<b>79,149,859</b>	77,312,311

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****51 Commitments and contingencies (Continued)**

	The Group		The Bank	
	2018	2017	2018	2017
	Principal	Principal	Principal	Principal
	RM'000	RM'000	RM'000	RM'000
<u>Treasury-related</u>				
Foreign exchange related contracts :				
- less than one year	344,818,325	251,994,211	168,674,890	126,934,815
- one year to five years	53,674,770	44,562,752	32,491,572	28,742,848
- more than five years	19,442,367	14,842,855	5,336,998	6,733,320
	417,935,462	311,399,818	206,503,460	162,410,983
Interest rate related contracts :				
- less than one year	214,491,540	134,545,018	94,621,080	85,801,208
- one year to five years	278,632,531	229,115,266	174,294,737	175,535,269
- more than five years	63,631,274	57,596,377	32,481,917	33,959,533
	556,755,345	421,256,661	301,397,734	295,296,010
Equity related contracts:				
- less than one year	5,111,159	4,526,201	4,929,547	4,533,052
- one year to five years	3,223,895	6,026,266	2,868,852	6,026,266
- more than five years	679,705	876,769	679,705	876,769
	9,014,759	11,429,236	8,478,104	11,436,087
Credit related contracts :				
- less than one year	418,816	348,152	418,816	348,152
- one year to five years	2,103,245	1,902,674	2,103,245	1,902,674
- more than five years	952,914	964,229	954,041	962,468
	3,474,975	3,215,055	3,476,102	3,213,294
Commodity related contracts:				
- less than one year	11,590,875	7,066,786	11,585,775	7,035,084
- one year to five years	960,508	407,823	960,508	407,823
	12,551,383	7,474,609	12,546,283	7,442,907
Bond forward:				
- less than one year	598,899	198,940	-	-
- one year to five years	1,755,921	851,710	-	-
- more than five years	120,000	120,000	120,000	120,000
	2,474,820	1,170,650	120,000	120,000
Total treasury-related commitments and contingencies	1,002,206,744	755,946,029	532,521,683	479,919,281
	1,106,170,733	854,570,236	611,671,542	557,231,592

The Bank has given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its subsidiary, CIMB Bank (L) Limited, arising from its offshore banking business in the Federal Territory of Labuan.

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 51 Commitments and contingencies (Continued)

Included under irrevocable commitments to extend credit are the amount related to the Restricted Agency Investment Account (refer Note 11(d) for more details) as follows:

	The Group		The Bank	
	2018	2017	2018	2017
	Principal RM'000	Principal RM'000	Principal RM'000	Principal RM'000
Irrevocable commitments to extend credit :				
- maturity not exceeding one year	<b>700,000</b>	-	<b>700,000</b>	-
	<b>700,000</b>	-	<b>700,000</b>	-

## **CIMB Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **52 Capital adequacy**

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

This is supported by the Capital Management Plan which is centrally supervised by the CIMB Group 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 framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework ("CAF") (Capital Components)/Capital Adequacy Framework for Islamic Banks ("CAFIB") (Capital Components), of which the latest revision was issued on 2 February 2018. The revised guidelines took effect for all banking institutions on 1 January 2018 and will take effect for all financial holding companies on 1 January 2019. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 2 February 2018.

The capital adequacy ratios of CIMB Thai Bank is based on the Bank of Thailand ("BOT") Notification No. FPG. 9/2561 issued on 17 July 2018. The risk-weighted assets of CIMB Thai Bank is based on Bank of Thailand ("BOT") requirements and are computed in accordance with the revised "Notification of The BOT. No. SorNorSor. 12/2555 - The supervisory capital funds of commercial banks" dated 8 November 2012. Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The regulatory compliance ratio of CIMB Bank PLC refers to the Solvency Ratio. The Solvency ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived from CIMB Bank PLC's net worth divided by its risk-weighted assets.

Capital Adequacy ratio of CIMB Bank (Vietnam) Ltd. is calculated and managed according to local regulations as per the requirement of State Bank of Vietnam (SBV) in circular 36/2014/TT-NHNN dated 20 November 2014 with minimum compliance of 9%, amended by circular 06/2016/TT-NHNN dated 27 May 2016 and circular 19/2017/TT-NHNN dated 28 December 2017. On 30 December 2016, SBV officially issued circular 41/2016/TT-NHNN (effective 1 January 2020) requiring banks and branches of foreign banks to maintain the minimum CAR at 8% which covers credit, market and operational risk.

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****52 Capital adequacy (Continued)***Capital Structure and Adequacy*

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group and the Bank as at 31 December 2018.

**31 December 2018 - Basel III**

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

	<b>The Group</b>	<b>The Bank*</b>
<b>Before deducting proposed dividends</b>		
Common equity tier I ratio	13.357%	12.914%
Tier I ratio	14.444%	14.342%
Total capital ratio	<u>18.302%</u>	<u>19.035%</u>
<b>After deducting proposed dividends</b>		
Common equity tier I ratio	12.887%	12.230%
Tier 1 ratio	13.974%	13.659%
Total capital ratio	<u>17.832%</u>	<u>18.351%</u>

CIMB Group Holdings Berhad ("CIMB Group"), the ultimate holding company of the Bank, successfully completed its eleventh Dividend Reinvestment Scheme ("DRS") of which RM1,278 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM1,278 million into CIMB Bank via rights issue which was completed on 29 June 2018.

CIMB Group successful completed its twelfth DRS for the first interim dividend in respect of the financial year ended 31 December 2018. Pursuant to the DRS, CIMB Group reinvested cash dividend surplus of RM974 million and an additional equity injection of RM226 million into CIMB Bank via rights issue which was completed on 21 December 2018.

CIMB Group's second interim dividend in respect of the financial year ended 31 December 2018 will be made applicable under the DRS. Pursuant to the DRS, CIMB Group intends to reinvest the excess cash dividend into CIMB Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank above those stated above.



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****52 Capital adequacy (Continued)****31 December 2018 - Basel III (Continued)**

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

	<b>The Group</b>	<b>The Bank*</b>
	<b>RM’000</b>	<b>RM’000</b>
Credit risk <sup>(1)</sup>	203,544,033	139,780,748
Market risk	16,395,328	10,773,681
Large exposure risk requirements	881,647	881,647
Operational risk	<u>20,794,460</u>	<u>14,727,726</u>
Total risk-weighted assets	<u>241,615,468</u>	<u>166,163,802</u>

<sup>(1)</sup> The RWA for credit risk relating to the Restricted Agency Investment Account (refer Note 11(d) for more details) are as follows:

	<b>The Group</b>	<b>The Bank*</b>
	<b>RM’000</b>	<b>RM’000</b>
Under Restricted Agency Investment Account arrangement	<u>316,179</u>	<u>316,179</u>
	<u>316,179</u>	<u>316,179</u>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****52 Capital adequacy (Continued)****31 December 2018 - Basel III (Continued)**

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

	The Group RM'000	The Bank* RM'000
<b>Common Equity Tier I capital</b>		
Ordinary shares	20,088,345	20,088,345
Other reserves	20,539,125	13,363,305
Qualifying non-controlling interests	156,841	-
Less: Proposed dividends	<u>(1,135,854)</u>	<u>(1,135,854)</u>
Common Equity Tier I capital before regulatory adjustments	39,648,457	32,315,796
<u>Less: Regulatory adjustments</u>		
Goodwill	(5,213,838)	(3,555,075)
Intangible assets	(975,612)	(830,487)
Deferred tax assets	(776,984)	(552,391)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-	(5,856,416)
Regulatory reserve	(1,542,976)	(1,197,301)
Others	<u>(2,182)</u>	<u>(2,182)</u>
Common Equity Tier I capital after regulatory adjustments	<u>31,136,865</u>	<u>20,321,944</u>
<b>Additional Tier I capital</b>		
Perpetual preference shares	200,000	200,000
Innovative Tier I Capital	1,000,000	1,000,000
Perpetual subordinated capital securities	1,400,000	1,400,000
Qualifying capital instruments held by third parties	32,685	-
Additional Tier I capital before regulatory adjustments	<u>2,632,685</u>	<u>2,600,000</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	<u>(5,956)</u>	<u>(225,956)</u>
Additional Tier I capital after regulatory adjustments	<u>2,626,729</u>	<u>2,374,044</u>
<b>Total Tier I capital</b>	<u>33,763,594</u>	<u>22,695,988</u>
<b>Tier II capital</b>		
Subordinated notes	7,900,000	7,900,000
Redeemable preference shares	29,740	29,740
Qualifying capital instruments held by third parties	408,443	-
Surplus eligible provisions over expected loss	325,153	708,469
General provision ^	<u>659,423</u>	<u>271,282</u>
Tier II capital before regulatory adjustments	9,322,759	8,909,491
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	<u>(759)</u>	<u>(1,112,125)</u>
<b>Total Tier II capital</b>	<u>9,322,000</u>	<u>7,797,366</u>
<b>Total capital</b>	<u>43,085,594</u>	<u>30,493,354</u>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****52 Capital adequacy (Continued)****31 December 2018 - Basel III (Continued)**

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	<b>CIMB Islamic Bank</b>	<b>CIMB Thai Bank</b>	<b>CIMB Bank PLC</b>	<b>CIMB Bank (Vietnam) Ltd</b>
Common equity tier I ratio	<b>13.505%</b>	<b>13.319%</b>	N/A	N/A
Tier I ratio	<b>14.026%</b>	<b>13.319%</b>	N/A	N/A
Total capital ratio	<b>16.194%</b>	<b>18.688%</b>	<b>15.707%</b>	<b>122.265%</b>

**31 December 2017 - Basel III**

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

<b>Before deducting proposed dividends</b>	<b>The Group</b>	<b>The Bank*</b>
Common equity tier I ratio	12.942%	12.866%
Tier I ratio	14.095%	14.333%
Total capital ratio	<b>17.700%</b>	<b>17.784%</b>
<b>After deducting proposed dividends</b>		
Common equity tier I ratio	12.227%	11.879%
Tier I ratio	13.381%	13.347%
Total capital ratio	<b>16.986%</b>	<b>16.797%</b>

CIMB Group successfully completed its ninth DRS of which RM871 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM490 million into CIMB Bank via rights issue which was completed on 21 June 2017.

CIMB Group successfully completed its tenth DRS of which RM968 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM934 million into CIMB Bank via rights issue which was completed on 22 December 2017.

CIMB Group's second interim dividend in respect of the financial year ended 31 December 2017 will be made applicable under the DRS. Pursuant to the DRS, CIMB Group intends to reinvest the excess cash dividend into CIMB Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank above those stated above.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **52 Capital adequacy (Continued)**

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

	<b>The Group</b>	<b>The Bank*</b>
	<b>RM’000</b>	<b>RM’000</b>
Credit risk	193,146,506	138,811,146
Market risk	14,125,733	11,050,726
Large exposure risk requirements	768,600	768,600
Operational risk	19,782,736	14,330,500
Total risk-weighted assets	<u>227,823,575</u>	<u>164,960,972</u>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****52 Capital adequacy (Continued)****31 December 2017 - Basel III (Continued)**

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

	<b>The Group RM'000</b>		<b>The Bank* RM'000</b>	
<b>Common Equity Tier I capital</b>				
Ordinary shares	17,610,939	@	17,610,939	@
Other reserves	20,007,741	@	13,904,088	@
Qualifying non-controlling interests	152,698		-	
Less: Proposed dividends	(1,627,553)		(1,627,553)	
Common Equity Tier I capital before regulatory adjustments	<u>36,143,825</u>		<u>29,887,474</u>	
<u>Less: Regulatory adjustments</u>				
Goodwill	(5,177,536)		(3,555,075)	
Intangible assets	(951,237)		(832,713)	
Deferred tax assets	(382,224)		(157,309)	
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-		(4,260,702)	
Regulatory reserve	(1,500,556)		(1,208,956)	
Others	(275,149)		(276,973)	
Common Equity Tier I capital after regulatory adjustments	<u>27,857,123</u>		<u>19,595,746</u>	
<b>Additional Tier I capital</b>				
Perpetual preference shares	200,000		200,000	
Innovative Tier I Capital	1,000,000		1,000,000	
Perpetual subordinated capital securities	1,400,000		1,400,000	
Qualifying capital instruments held by third parties	30,301		-	
Additional Tier I capital before and after regulatory adjustments	<u>2,630,301</u>		<u>2,600,000</u>	
<u>Less: Regulatory adjustments</u>				
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(2,641)		(178,641)	
Additional Tier I capital after regulatory adjustments	<u>2,627,660</u>		<u>2,421,359</u>	
<b>Total Tier I capital</b>	<u>30,484,783</u>		<u>22,017,105</u>	
<b>Tier II capital</b>				
Subordinated notes	7,050,000		7,050,000	
Redeemable preference shares	29,740		29,740	
Qualifying capital instruments held by third parties	363,627		-	
Surplus eligible provisions over expected loss	118,446		267,987	
Portfolio impairment allowance and regulatory reserves ^	651,277		254,766	
Tier II capital before regulatory adjustments	<u>8,213,090</u>		<u>7,602,493</u>	
<u>Less: Regulatory adjustments</u>				
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(660)		(1,911,008)	
<b>Total Tier II capital</b>	<u>8,212,430</u>		<u>5,691,485</u>	
<b>Total capital</b>	<u>38,697,213</u>		<u>27,708,590</u>	

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****52 Capital adequacy (Continued)****31 December 2017 - Basel III (Continued)**

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	<b>CIMB Islamic Bank</b>	<b>CIMB Thai Bank</b>	<b>CIMB Bank PLC</b>	<b>CIMB Bank (Vietnam) Ltd</b>
Common equity tier I ratio	13.286%	12.471%	N/A	N/A
Tier I ratio	13.892%	12.471%	N/A	N/A
Total capital ratio	<u>16.291%</u>	<u>16.631%</u>	<u>16.622%</u>	<u>332.242%</u>

\* Includes the operations of CIMB Bank (L) Limited.

^ The total capital of the Group and the Bank has excluded general provision/portfolio impairment allowance on impaired loans restricted from Tier II capital of RM160 million (2017: RM165 million) and RM147 million (2017: RM151 million) respectively.

@ The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act, on 31 January 2017 any amount standing to the credit of the Bank's share premium account has become part of the Bank's share capital. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act.

## **CIMB Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

##### **(a) Full redemption of bonds**

The redemptions during the financial year are as follows:

- (i) On 22 January 2018, the Bank has redeemed its HKD171 million 5-year senior unsecured fixed rate notes as disclosed in Note 31(b);
- (ii) On 22 March 2018, the Bank has redeemed its SGD20 million senior unsecured notes as disclosed in Note 31(c);
- (iii) On 2 July 2018, the Bank had redeemed its SGD100 million 3-year senior fixed rate notes as disclosed in Note 31(i);
- (iv) On 6 August 2018, the Bank has redeemed its CNY220 million 3-year senior fixed rate notes as disclosed in Note 31(j);
- (v) On 31 December 2018, CIMB Islamic Bank has redeemed its RM1.0 million Sukuk Wakalah as disclosed in Note 31(v).

##### **(b) Rights issue at CIMB Thai Bank**

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **53 Significant events during the financial year (Continued)**

#### **(c) Rights issue at CIMB Bank**

On 29 June 2018, the Bank issued 224.6 million Rights Issue at RM5.69 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM1,278 million.

On 21 December 2018, CIMB Bank issued 217.7 million Rights Issue at RM5.51 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM1,200 million.

#### **(d) Full redemption of subordinated obligations**

The redemptions during the financial year are as follows:

- (i) On 13 September 2018, the Bank has redeemed its RM750 million Tier 2 subordinated debts as disclosed in Note 33(e);
- (ii) On 5 October 2018, the Bank has redeemed its RM1.0 billion Subordinated Bonds as disclosed in Note 33(a);
- (iii) On 16 October 2018, the Bank has redeemed its RM300 million Tier 2 subordinated debts as disclosed in Note 33(e).



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **53 Significant events during the financial year (Continued)**

#### **(e) Issuance of subordinated obligations**

Issuance during the financial year are as follows:

- (i) On 29 March 2018, CIMB Thai Bank issued RM390 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM390 million Notes carry fixed interest rate of 5.20% per annum (see Note 33(p));
- (ii) On 29 March 2018, the Bank issued RM700 million 10 years non-callable 5 years Tier 2 subordinated debt to CIMB Group Holdings Berhad bearing a fixed rate coupon of 4.95% per annum (see Note 33(o));
- (iii) On 13 September 2018, the Bank issued RM1.2 billion 11 years non-callable 6 years Tier 2 subordinated debt to CIMB Group Holdings Berhad bearing a fixed rate coupon of 4.88% per annum (see Note 33 (q));
- (iv) On 23 October 2018, the Bank issued a nominal value RM1.0 billion perpetual subordinated capital securities ("Additional Tier 1 Securities"). The securities, which qualify as Additional Tier 1 Capital for the Bank, carry a distribution rate of 5.40% per annum (see Note 33(r)).

#### **(f) Capital injection into CIMB Bank PLC by CIMB Bank**

On 13 February 2018, the Bank completed the capital injection of USD6.2 million into new ordinary shares of CIMB Bank PLC. The new ordinary shares were issued by CIMB Bank PLC at an issue price of USD1 each to CIMB Bank.

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 54 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/market and the associated expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss.

Refer to Section 57.1 *Credit risk measurement* for details on the key judgements and assumptions of the estimation of expected credit loss allowance for financial assets at amortised cost and FVOCI.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### *(b) Goodwill impairment*

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

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

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 20 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.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

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

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, 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 57.4.

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **55 Segment reporting**

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

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

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

#### **(i) Business segment reporting**

##### Definition of segments

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

##### *Consumer Banking*

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

##### *Commercial Banking*

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

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

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **55 Segment reporting (Continued)**

#### **(i) Business segment reporting (Continued)**

##### *Wholesale Banking*

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

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

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

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

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

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

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

##### *Investments*

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

##### *Support and others*

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

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****55 Segment reporting (Continued)****(i) Business segment reporting (Continued)**

2018 Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and Others RM'000	Total RM'000
Net interest income						
- external	4,651,853	710,030	957,797	342,349	4,332	6,666,361
- inter-segment	(736,793)	231,250	375,528	130,015	-	-
	<u>3,915,060</u>	<u>941,280</u>	<u>1,333,325</u>	<u>472,364</u>	<u>4,332</u>	<u>6,666,361</u>
Income from Islamic banking operations	989,003	250,920	862,995	168,423	-	2,271,341
Net non-interest income	<u>1,422,180</u>	<u>267,559</u>	<u>946,633</u>	<u>72,981</u>	<u>55,614</u>	<u>2,764,967</u>
	6,326,243	1,459,759	3,142,953	713,768	59,946	11,702,669
Overheads	(3,316,809)	(685,784)	(1,584,578)	(168,897)	(55,228)	(5,811,296)
of which:						
Depreciation of property, plant and equipment	(152,022)	(2,617)	(11,700)	(8,360)	-	(174,699)
Amortisation of prepaid lease payments	-	-	-	(10)	-	(10)
Amortisation of intangible assets	<u>(167,582)</u>	<u>(1,581)</u>	<u>(27,718)</u>	<u>(16,139)</u>	<u>-</u>	<u>(213,020)</u>
Profit before expected credit losses	3,009,434	773,975	1,558,375	544,871	4,718	5,891,373
Expected credit losses (made)/written-back on loans, advances and financing	(486,930)	(176,313)	(58,717)	796	-	(721,164)
Expected credit losses (made)/written-back for commitments and contingencies	(39,265)	(5,345)	22,676	121	-	(21,813)
Other expected credit losses (made)/written-back	<u>(2,575)</u>	<u>(536)</u>	<u>(84,179)</u>	<u>(2,183)</u>	<u>107</u>	<u>(89,366)</u>
Segment results	2,480,664	591,781	1,438,155	543,605	4,825	5,059,030
Share of results of joint venture	2,176	-	-	-	-	2,176
Taxation and zakat						(1,098,431)
Net profit after taxation						<u>3,962,775</u>

2018 Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Total RM'000
Segment assets	167,314,981	33,110,643	212,048,932	27,524,764	439,999,320
Unallocated assets					11,933,429
<b>Total assets</b>					<u>451,932,749</u>
Segment liabilities	150,740,296	33,169,067	204,170,222	12,095,443	400,175,028
Unallocated liabilities					10,630,250
<b>Total liabilities</b>					<u>410,805,278</u>
<b>Other segment items</b>					
Capital expenditure	630,516	10,351	54,222	37,351	732,440
Investment in joint venture	171,864	-	-	-	171,864

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 55 Segment reporting (Continued)

#### (i) Business segment reporting (Continued)

2017 Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and Others RM'000	Total RM'000
Net interest income						
- external	4,636,901	703,688	1,062,936	408,336	(5,072)	6,806,789
- inter-segment	(893,269)	208,621	578,800	105,848	-	-
	3,743,632	912,309	1,641,736	514,184	(5,072)	6,806,789
Income from Islamic banking operations	817,770	185,678	670,780	129,705	-	1,803,933
Net non-interest income	1,338,709	316,953	1,167,074	189,903	31,587	3,044,226
	5,900,111	1,414,940	3,479,590	833,792	26,515	11,654,948
Overheads	(3,026,270)	(633,319)	(1,554,377)	(267,326)	(52,041)	(5,533,333)
of which:						
Depreciation of property, plant and equipment	(165,958)	(3,674)	(13,857)	(5,421)	-	(188,910)
Amortisation of prepaid lease payments	-	-	-	(10)	-	(10)
Amortisation of intangible assets	(136,601)	(1,277)	(23,827)	(21,445)	-	(183,150)
Profit before allowances	2,873,841	781,621	1,925,213	566,466	(25,526)	6,121,615
Allowances made for impairment losses on loans, advances and financing	(510,886)	(616,489)	(31,038)	(42)	-	(1,158,455)
Allowances written-back/(made) for commitments and contingencies	-	12,586	(2,222)	-	-	10,364
Allowances made for other impairment losses	-	(156)	(38,317)	(1,407)	(4,526)	(44,406)
Segment results	2,362,955	177,562	1,853,636	565,017	(30,052)	4,929,118
Share of results of joint venture	4,659	-	-	-	-	4,659
Taxation and zakat						(1,042,792)
Net profit after taxation						3,890,985

2017 Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Total RM'000
Segment assets	154,707,147	32,824,998	192,373,817	24,588,629	404,494,591
Unallocated assets					12,565,250
<b>Total assets</b>					<b>417,059,841</b>
Segment liabilities	137,509,478	34,542,575	186,993,581	11,473,671	370,519,305
Unallocated liabilities					8,435,605
<b>Total liabilities</b>					<b>378,954,910</b>
<b>Other segment items</b>					
Capital expenditure	349,676	7,164	33,239	17,100	407,179
Investment in joint venture	169,688	-	-	-	169,688



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****55 Segment reporting (Continued)****(i) Business segment reporting (Continued)***Basis of pricing for inter-segment transfers:*

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

**(ii) Geographic segment reporting**

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the business segments.
- Overseas operations, which include branch and subsidiary operations in Thailand, Cambodia, Singapore, United Kingdom, Hong Kong, Shanghai, Philippines and Vietnam. The overseas operations are involved mainly in corporate lending and borrowing activities. With the exception of Malaysia and Thailand, no other individual country contributed more than 10% of the net interest income and of total assets.

	2018				
	Net interest	Total	Total	Total	Capital
	income	non-current	assets	liabilities	expenditure
	RM'000	assets	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>					
Malaysia	4,453,429	13,550,855	337,449,312	307,766,091	600,522
Thailand	1,423,207	788,105	45,457,405	40,634,692	59,674
Overseas operations	789,725	1,869,119	69,026,032	62,404,495	72,244
	<b>6,666,361</b>	<b>16,208,079</b>	<b>451,932,749</b>	<b>410,805,278</b>	<b>732,440</b>

	2017				
	Net interest	Total	Total	Total	Capital
	income	non-current	assets	liabilities	expenditure
	RM'000	assets	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>					
Malaysia	4,692,487	12,437,658	317,356,759	289,278,573	319,179
Thailand	1,360,523	757,755	37,188,183	33,173,350	47,729
Overseas operations	753,779	2,855,261	62,514,899	56,502,987	40,271
	<b>6,806,789</b>	<b>16,050,674</b>	<b>417,059,841</b>	<b>378,954,910</b>	<b>407,179</b>

# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 56 Change in accounting policies

Set out below are disclosures relating the impact of the adoption of MFRS 9 of the Group and the Company. Further details of the specific MFRS 9 accounting policies applied in current financial year are described in more detail in detail in section E, F, G, I, Q and Y of the Summary of Significant Accounting Policies.

- (i) The measurement category and carrying amount of the Group's and the Bank's financial assets and financial liabilities on 1 January 2018 is as follows:

	Original measurement category under MFRS 139	New measurement category under MFRS 9	The Group As at 1 January 2018	
			Original measurement category under MFRS 139	New classification and measurement category under MFRS 9
			RM'000	RM'000
<b>Financial assets</b>				
Cash and short-term funds	Loans and receivables	Amortised cost	33,341,519	33,341,478
Reverse repurchase agreements	Loans and receivables	Amortised cost	5,977,125	5,977,125
Reverse repurchase agreements	Loans and receivables	FVTPL	507,562	493,882
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	1,194,205	1,192,598
Financial assets held for trading	FVTPL	FVTPL	20,402,996	20,402,996
Financial assets held for trading	FVTPL	Amortised cost	7,058	7,078
Derivative financial instruments	FVTPL	FVTPL	8,370,447	8,370,447
Investment securities - debt instruments	Available-for-sale	FVOCI	21,555,816	21,555,816
Investment securities - equity instruments	Available-for-sale	FVOCI	627,921	627,921
Investment securities - debt instruments	Available-for-sale	FVTPL	1,502,211	1,502,211
Investment securities - debt instruments	Available-for-sale	Amortised cost	918,328	942,110
Investment securities - debt instruments	Held to maturity	Amortised cost	32,984,491	32,965,012
Investment securities - debt instruments	Held to maturity	FVTPL	535,516	521,730
Investment securities - debt instruments	Held to maturity	FVOCI	803,095	812,643
Loans, advances and financing	Loans and receivables	Amortised cost	260,825,407	259,919,992
Loans, advances and financing	Loans and receivables	FVTPL	963,302	963,302
Other assets	Loans and receivables	Amortised cost	9,372,677	9,372,677
Amount due from holding company and ultimate holding company	Loans and receivables	Amortised cost	3,227	3,227
Amount due from related company	Loans and receivables	Amortised cost	1,107,017	1,107,017
<b>Financial liabilities</b>				
Deposits from customers	Amortised cost	Amortised cost	295,900,121	295,900,121
Investment accounts of customers	Amortised cost	Amortised cost	907,763	907,763
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	17,101,949	17,101,949
Repurchase agreements	Amortised cost	Amortised cost	3,318,517	3,318,517
Financial liabilities designated at fair value through profit or loss	FVTPL (designated)	FVTPL (designated)	4,773,440	4,773,440
Derivative financial instruments	FVTPL	FVTPL	8,728,437	8,728,437
Bills and acceptances payable	Amortised cost	Amortised cost	1,926,089	1,926,089
Other liabilities	Amortised cost	Amortised cost	12,003,591	12,396,194
Recourse obligation on loans and financing sold to Cagamas	Amortised cost	Amortised cost	5,195,248	5,195,248
Bonds, Sukuk and debentures	Amortised cost	Amortised cost	13,263,385	13,263,385
Other borrowings	Amortised cost	Amortised cost	5,100,684	5,100,684
Subordinated obligations	Amortised cost	Amortised cost	10,361,318	10,361,318
Amount due to related companies	Amortised cost	Amortised cost	13,267	13,267

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

- (i) The measurement to the Group's and the Bank's financial assets and financial liabilities on 1 January 2018 is as follows: (Continued)

	Original measurement category under MFRS 139	New measurement category under MFRS 9	The Bank As at 1 January 2018	
			Original measurement category under MFRS 139	New classification and measurement category under MFRS 9
			RM'000	RM'000
<b>Financial assets</b>				
Cash and short-term funds	Loans and receivables	Amortised cost	19,642,521	19,642,521
Reverse repurchase agreements	Loans and receivables	Amortised cost	4,493,039	4,493,039
Reverse repurchase agreements	Loans and receivables	FVTPL	507,562	493,882
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	9,227,427	9,225,903
Financial assets held for trading	FVTPL	FVTPL	15,985,346	15,985,346
Financial assets held for trading	FVTPL	Amortised cost	7,058	7,078
Derivative financial instruments	FVTPL	FVTPL	6,062,542	6,062,542
Investment securities - debt instruments	Available-for-sale	FVOCI	17,333,365	17,333,365
Investment securities - equity instruments	Available-for-sale	FVOCI	612,568	612,568
Investment securities - debt instruments	Available-for-sale	FVTPL	1,490,946	1,490,946
Investment securities - debt instruments	Available-for-sale	Amortised cost	618,388	633,987
Investment securities - debt instruments	Held to maturity	Amortised cost	27,667,285	27,648,223
Investment securities - debt instruments	Held to maturity	FVTPL	535,516	521,730
Investment securities - debt instruments	Held to maturity	FVOCI	495,760	502,480
Loans, advances and financing	Loans and receivables	Amortised cost	176,477,995	175,675,091
Loans, advances and financing	Loans and receivables	FVTPL	419,041	419,041
Other assets	Loans and receivables	Amortised cost	8,132,565	8,132,565
Amount due from holding company and ultimate holding company	Loans and receivables	Amortised cost	3,227	3,227
Amount due from subsidiaries	Loans and receivables	Amortised cost	63,827	63,827
Amount due from related company	Loans and receivables	Amortised cost	1,105,782	1,105,782
<b>Financial liabilities</b>				
Deposits from customers	Amortised cost	Amortised cost	207,442,951	207,442,951
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	16,164,109	16,164,109
Repurchase agreements	Amortised cost	Amortised cost	3,318,517	3,318,517
Financial liabilities designated at fair value through profit or loss	FVTPL (designated)	FVTPL (designated)	1,900,972	1,900,972
Derivative financial instruments	FVTPL	FVTPL	6,523,609	6,523,609
Bills and acceptances payable	Amortised cost	Amortised cost	1,086,455	1,086,455
Other liabilities	Amortised cost	Amortised cost	10,430,514	10,738,434
Recourse obligation on loans and financing sold to Cagamas	Amortised cost	Amortised cost	3,122,948	3,122,948
Bonds, Sukuk and debentures	Amortised cost	Amortised cost	11,204,948	11,204,948
Other borrowings	Amortised cost	Amortised cost	5,697,728	5,697,728
Subordinated obligations	Amortised cost	Amortised cost	9,533,891	9,533,891
Amount due to subsidiaries	Amortised cost	Amortised cost	12,555	12,555
Amount due to related company	Amortised cost	Amortised cost	10,308	10,308

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

- (ii) Reconciliation of the carrying amount in the Group's and the Bank's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018:

	Note	Audited as at 31 Dec 2017 RM'000	The Group			Adjusted 1 Jan 2018 RM'000
			Remeasurement RM'000	Effect of adopting MFRS 9 Reclassification RM'000	Total RM'000	
<b>Assets</b>						
Cash and short term funds	(a)	33,341,519	(41)	-	(41)	33,341,478
Reverse repurchase agreements	(b)	6,484,687	(13,680)	-	(13,680)	6,471,007
Deposits and placements with banks and other financial institutions	(c)	1,194,205	(1,607)	-	(1,607)	1,192,598
Financial assets at fair value through profit or loss	(d)	-	(13,786)	22,440,723	22,426,937	22,426,937
Debt instruments at fair value through other comprehensive income	(e)	-	9,548	22,358,911	22,368,459	22,368,459
Equity instruments at fair value through other comprehensive income	(f)	-	-	627,921	627,921	627,921
Debt instruments at amortised cost	(g)	-	4,323	33,909,877	33,914,200	33,914,200
Financial assets held for trading	(h)	20,410,054	-	(20,410,054)	(20,410,054)	-
Financial investments available-for-sale	(i)	24,604,276	-	(24,604,276)	(24,604,276)	-
Financial investments held-to-maturity	(j)	34,323,102	-	(34,323,102)	(34,323,102)	-
Derivative financial instruments		8,370,447	-	-	-	8,370,447
Loans, advances and financing	(k)	261,788,709	(905,415)	-	(905,415)	260,883,294
Other assets		9,372,677	-	-	-	9,372,677
Tax recoverable		9,246	-	-	-	9,246
Deferred taxation	(l)	333,851	(10,813)	144,835	134,022	467,873
Statutory deposits with central banks		8,630,364	-	-	-	8,630,364
Amounts due from holding company and ultimate holding company		3,227	-	-	-	3,227
Amount due from subsidiaries		-	-	-	-	-
Amount due from related companies		1,107,017	-	-	-	1,107,017
Investment in subsidiaries		-	-	-	-	-
Investment in joint venture		169,688	-	-	-	169,688
Goodwill		5,177,536	-	-	-	5,177,536
Intangible assets		1,002,253	-	-	-	1,002,253
Prepaid lease payments		397	-	-	-	397
Property, plant and equipment		732,387	-	-	-	732,387
		417,055,642	(931,471)	144,835	(786,636)	416,269,006
Non-current assets/disposal groups held for sale		4,199	-	-	-	4,199
<b>TOTAL ASSETS</b>		<b>417,059,841</b>	<b>(931,471)</b>	<b>144,835</b>	<b>(786,636)</b>	<b>416,273,205</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

- (ii) Reconciliation of the carrying amount in the Group's and the Bank's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Note	Audited as at 31 Dec 2017 RM'000	The Group		Total RM'000	Adjusted 1 Jan 2018 RM'000
			Effect of adopting MFRS 9 Remeasurement RM'000	Reclassification RM'000		
<b>Liabilities</b>						
Deposits from customers		295,900,121	-	-	-	295,900,121
Investment accounts of customers		907,763	-	-	-	907,763
Deposits and placements of banks and other financial institutions		17,101,949	-	-	-	17,101,949
Repurchase agreements		3,318,517	-	-	-	3,318,517
Financial liabilities designated at fair value through profit or loss		4,773,440	-	-	-	4,773,440
Derivative financial instruments		8,728,437	-	-	-	8,728,437
Bills and acceptances payable		1,926,089	-	-	-	1,926,089
Amount due to subsidiaries		-	-	-	-	-
Amount due to related companies		13,267	-	-	-	13,267
Other liabilities	(m)	12,003,591	392,603	-	392,603	12,396,194
Recourse obligation on loans and financing sold to Cagamas		5,195,248	-	-	-	5,195,248
Provision for taxation	(n)	358,462	(296,912)	-	(296,912)	61,550
Deferred taxation		2,639	-	-	-	2,639
Bonds, sukuk and debentures		13,263,385	-	-	-	13,263,385
Other borrowings		5,100,684	-	-	-	5,100,684
Subordinated obligations		10,361,318	-	-	-	10,361,318
<b>Total liabilities</b>		<b>378,954,910</b>	<b>95,691</b>	<b>-</b>	<b>95,691</b>	<b>379,050,601</b>
<b>Equity</b>						
Ordinary share capital		17,610,939	-	-	-	17,610,939
Reserves	(o)-(u)	20,007,741	(1,025,201)	144,835	(880,366)	19,127,375
		37,618,680	(1,025,201)	144,835	(880,366)	36,738,314
Perpetual preference shares		200,000	-	-	-	200,000
Redeemable preference shares		29,740	-	-	-	29,740
Non-controlling interests	(v)	256,511	(1,961)	-	(1,961)	254,550
<b>TOTAL EQUITY</b>		<b>38,104,931</b>	<b>(1,027,162)</b>	<b>144,835</b>	<b>(882,327)</b>	<b>37,222,604</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>417,059,841</b>	<b>(931,471)</b>	<b>144,835</b>	<b>(786,636)</b>	<b>416,273,205</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

- (ii) Reconciliation of the carrying amount in the Group's and the Bank's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Note	Audited as at 31 Dec 2017 RM'000	Bank Effect of adopting MFRS 9		Total RM'000	Adjusted 1 Jan 2018 RM'000
			Remeasurement RM'000	Reclassification RM'000		
<b>Assets</b>						
Cash and short term funds	(a)	19,642,521	-	-	-	19,642,521
Reverse repurchase agreements	(b)	5,000,601	(13,680)	-	(13,680)	4,986,921
Deposits and placements with banks and other financial institutions	(c)	9,227,427	(1,524)	-	(1,524)	9,225,903
Financial assets at fair value through profit or loss	(d)	-	(13,786)	18,011,808	17,998,022	17,998,022
Debt instruments at fair value through other comprehensive income	(e)	-	6,720	17,829,125	17,835,845	17,835,845
Equity instruments at fair value through other comprehensive income	(f)	-	-	612,568	612,568	612,568
Debt instruments at amortised cost	(g)	-	(3,443)	28,292,731	28,289,288	28,289,288
Financial assets held for trading	(h)	15,992,404	-	(15,992,404)	(15,992,404)	-
Financial investments available-for-sale	(i)	20,055,267	-	(20,055,267)	(20,055,267)	-
Financial investments held-to-maturity	(j)	28,698,561	-	(28,698,561)	(28,698,561)	-
Derivative financial instruments		6,062,542	-	-	-	6,062,542
Loans, advances and financing	(k)	176,897,036	(802,904)	-	(802,904)	176,094,132
Other assets		8,132,565	-	-	-	8,132,565
Deferred taxation	(l)	111,658	4,655	150,581	155,236	266,894
Statutory deposits with central banks		6,503,641	-	-	-	6,503,641
Amounts due from holding company and ultimate holding company		3,227	-	-	-	3,227
Amount due from subsidiaries		63,827	-	-	-	63,827
Amount due from related companies		1,105,782	-	-	-	1,105,782
Investment in subsidiaries		6,002,931	-	-	-	6,002,931
Investment in joint venture		125,000	-	-	-	125,000
Goodwill		3,555,075	-	-	-	3,555,075
Intangible assets		877,706	-	-	-	877,706
Property, plant and equipment		396,628	-	-	-	396,628
<b>TOTAL ASSETS</b>		<b>308,454,399</b>	<b>(823,962)</b>	<b>150,581</b>	<b>(673,381)</b>	<b>307,781,018</b>

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- (ii) Reconciliation of the carrying amount in the Group's and the Bank's Statement of Financial Position from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Note	Audited as at 31 Dec 2017 RM'000	Bank		Total RM'000	Adjusted 1 Jan 2018 RM'000
			Remeasurement RM'000	Effect of adopting MFRS 9 Reclassification RM'000		
<b>Liabilities</b>						
Deposits from customers		207,442,951	-	-	-	207,442,951
Deposits and placements of banks and other financial institutions		16,164,109	-	-	-	16,164,109
Repurchase agreements		3,318,517	-	-	-	3,318,517
Financial liabilities designated at fair value through profit or loss		1,900,972	-	-	-	1,900,972
Derivative financial instruments		6,523,609	-	-	-	6,523,609
Bills and acceptances payable		1,086,455	-	-	-	1,086,455
Amount due to subsidiaries		12,555	-	-	-	12,555
Amount due to related companies		10,308	-	-	-	10,308
Other liabilities	(m)	10,430,514	307,920	-	307,920	10,738,434
Recourse obligation on loans and financing sold to Cagamas		3,122,948	-	-	-	3,122,948
Provision for taxation	(n)	300,254	(256,894)	-	(256,894)	43,360
Bonds, sukuk and debentures		11,204,948	-	-	-	11,204,948
Other borrowings		5,697,728	-	-	-	5,697,728
Subordinated obligations		9,533,891	-	-	-	9,533,891
<b>Total liabilities</b>		<b>276,749,759</b>	<b>51,026</b>	<b>-</b>	<b>51,026</b>	<b>276,800,785</b>
<b>Equity</b>						
Ordinary share capital		17,610,939	-	-	-	17,610,939
Reserves	(o)-(u)	13,863,961	(874,988)	150,581	(724,407)	13,139,554
		31,474,900	(874,988)	150,581	(724,407)	30,750,493
Perpetual preference shares		200,000	-	-	-	200,000
Redeemable preference shares		29,740	-	-	-	29,740
<b>TOTAL EQUITY</b>		<b>31,704,640</b>	<b>(874,988)</b>	<b>150,581</b>	<b>(724,407)</b>	<b>30,980,233</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>308,454,399</b>	<b>(823,962)</b>	<b>150,581</b>	<b>(673,381)</b>	<b>307,781,018</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

(iii) Impact on the Group's and the Bank's Statement of Changes in Equity as at 31 December 2017 and 1 January 2018:

		<b>The Group</b>				<b>Adjusted 1 Jan 2018 RM'000</b>
		<b>Audited as at 31 Dec 2017 RM'000</b>	<b>Remeasurement Effect of adopting MFRS 9 RM'000</b>	<b>Reclassification Effect of adopting MFRS 9 RM'000</b>	<b>Total Effect of adopting MFRS 9 RM'000</b>	
Retained earnings	(o)	17,643,982	(956,334)	672,566	(283,768)	17,360,214
Revaluation reserve - financial investment available-for-sale	(p)	500,464	26,036	(526,500)	(500,464)	-
Fair value reserves						
- Debt instruments at fair value through other comprehensive income	(q)	-	33,410	(103,291)	(69,881)	(69,881)
- Equity instruments at fair value through other comprehensive income	(r)	-	(135,248)	102,060	(33,188)	(33,188)
Own credit risk reserve	(s)	-	(4,212)	-	(4,212)	(4,212)
Regulatory reserve	(t)	1,500,556	11,092	-	11,092	1,511,648
Cost of hedging reserve	(u)	-	55	-	55	55
Non-controlling interests	(v)	256,511	(1,961)	-	(1,961)	254,550
		<b>19,901,513</b>	<b>(1,027,162)</b>	<b>144,835</b>	<b>(882,327)</b>	<b>19,019,186</b>

	<b>Note</b>	<b>The Bank</b>				<b>Adjusted 1 Jan 2018 RM'000</b>
		<b>Audited as at 31 Dec 2017 RM'000</b>	<b>Remeasurement Effect of adopting MFRS 9 RM'000</b>	<b>Reclassification Effect of adopting MFRS 9 RM'000</b>	<b>Total Effect of adopting MFRS 9 RM'000</b>	
Retained earnings	(o)	12,433,661	(859,599)	659,669	(199,930)	12,233,731
Revaluation reserve - financial investment available-for-sale	(p)	501,733	15,599	(517,332)	(501,733)	-
Fair value reserves						
- Debt instruments at fair value through other comprehensive income	(q)	-	29,984	(97,871)	(67,887)	(67,887)
- Equity instruments at fair value through other comprehensive income	(r)	-	(113,543)	106,115	(7,428)	(7,428)
Own credit risk reserve	(s)	-	(4,212)	-	(4,212)	(4,212)
Regulatory reserve	(t)	1,208,956	56,728	-	56,728	1,265,684
Cost of hedging reserve	(u)	-	55	-	55	55
		<b>14,144,350</b>	<b>(874,988)</b>	<b>150,581</b>	<b>(724,407)</b>	<b>13,419,943</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

- (iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018:

	Impact of adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	The Bank RM'000
<b>(a) Cash and short-term funds</b>		
Closing balance under MFRS 139 as at 31 December 2017	33,341,519	19,642,521
- recognition of expected credit losses under MFRS 9	(41)	-
Opening balance under MFRS 9 as at 1 January 2018	<u>33,341,478</u>	<u>19,642,521</u>
<b>(b) Reverse repurchase agreements</b>		
Closing balance under MFRS 139 as at 31 December 2017 - At amortised cost	6,484,687	5,000,601
- reclassification to reverse repurchase agreements at fair value through profit or loss	(507,562)	(507,562)
Opening balance under MFRS 9 as at 1 January 2018	<u>5,977,125</u>	<u>4,493,039</u>
Closing balance under MFRS 139 as at 31 December 2017 - At fair value through profit or loss	-	-
- reclassification from reverse repurchase agreements at amortised cost	507,562	507,562
- unrealised loss on reverse repurchase agreements at fair value through profit or loss	(13,680)	(13,680)
Opening balance under MFRS 9 as at 1 January 2018	<u>493,882</u>	<u>493,882</u>
Total reverse repurchase agreements under MFRS 9 as at 1 January 2018	<u>6,471,007</u>	<u>4,986,921</u>
<b>(c) Deposits and placements with banks and other financial institutions</b>		
Closing balance under MFRS 139 as at 31 December 2017	1,194,205	9,227,427
- recognition of expected credit losses under MFRS 9	(1,607)	(1,524)
Opening balance under MFRS 9 as at 1 January 2018	<u>1,192,598</u>	<u>9,225,903</u>
<b>(d) Financial assets at fair value through profit or loss</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial assets held for trading	20,402,996	15,985,346
- reclassification from financial investments available-for-sale	1,502,211	1,490,946
- reclassification from financial investments held-to-maturity	535,516	535,516
- unrealised loss on financial assets at fair value through profit or loss	(13,786)	(13,786)
Opening balance under MFRS 9 as at 1 January 2018	<u>22,426,937</u>	<u>17,998,022</u>
<b>(e) Debt instruments at fair value through other comprehensive income</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments available-for-sale	21,555,816	17,333,365
- reclassification from financial investments held-to-maturity	803,095	495,760
- unrealised gain on debt instruments at fair value through other comprehensive income	9,548	6,720
Opening balance under MFRS 9 as at 1 January 2018	<u>22,368,459</u>	<u>17,835,845</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

(iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Impact of adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	The Bank RM'000
<b>(f) Equity instruments at fair value through other comprehensive income</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments available-for-sale	627,921	612,568
- Reversal of MFRS 139 impairment loss for equity instruments at fair value through other comprehensive income	147,249	118,198
- Unrealised loss on equity instruments at fair value through other comprehensive income	(147,249)	(118,198)
Opening balance under MFRS 9 as at 1 January 2018	<u>627,921</u>	<u>612,568</u>
<b>(g) Debt instruments at amortised cost</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments held-to-maturity	32,984,491	27,667,285
- reclassification from financial investments available-for-sale	918,328	618,388
- reclassification from financial assets held for trading	7,058	7,058
- Remeasurement of debt instruments at amortised cost	23,802	15,619
- recognition of expected credit losses under MFRS 9	(19,479)	(19,062)
Opening balance under MFRS 9 as at 1 January 2018	<u>33,914,200</u>	<u>28,289,288</u>
<b>(h) Financial assets held for trading</b>		
Closing balance under MFRS 139 as at 31 December 2017	20,410,054	15,992,404
- reclassification to financial assets at fair value through profit or loss	(20,402,996)	(15,985,346)
- reclassification to debt instruments at amortised cost	(7,058)	(7,058)
Opening balance under MFRS 9 as at 1 January 2018	<u>-</u>	<u>-</u>
<b>(i) Financial investments available-for-sale</b>		
Closing balance under MFRS 139 as at 31 December 2017	24,604,276	20,055,267
- reclassification to debt instruments at fair value through other comprehensive income	(21,555,816)	(17,333,365)
- reclassification to financial assets at fair value through profit or loss	(1,502,211)	(1,490,946)
- reclassification to debt instruments at amortised cost	(918,328)	(618,388)
- reclassification to equity instruments at fair value through other comprehensive income	(627,921)	(612,568)
Opening balance under MFRS 9 as at 1 January 2018	<u>-</u>	<u>-</u>
<b>(j) Financial investments held-to-maturity</b>		
Closing balance under MFRS 139 as at 31 December 2017	34,323,102	28,698,561
- reclassification to debt instruments at amortised cost	(32,984,491)	(27,667,285)
- reclassification to debt instruments at fair value through other comprehensive income	(803,095)	(495,760)
- reclassification to financial assets at fair value through profit or loss	(535,516)	(535,516)
Opening balance under MFRS 9 as at 1 January 2018	<u>-</u>	<u>-</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

- (iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Impact of adopting MFRS 9 as at	
	The Group RM'000	The Bank RM'000
<b>(k) Loans, advances and financing</b>		
Closing balance under MFRS 139 as at 31 December 2017 - At amortised cost	261,788,709	176,897,036
- reclassification to loans, advances and financing at fair value through profit or loss	(963,302)	(419,041)
- recognition of expected credit losses under MFRS 9	(905,415)	(802,904)
Opening balance under MFRS 9 as at 1 January 2018	<u>259,919,992</u>	<u>175,675,091</u>
Closing balance under MFRS 139 as at 31 December 2017 - At fair value through profit or loss	-	-
- reclassification from loans, advances and financing at amortised cost	963,302	419,041
Opening balance under MFRS 9 as at 1 January 2018	<u>963,302</u>	<u>419,041</u>
Total loans, advances and financing under MFRS 9 as at 1 January 2018	<u>260,883,294</u>	<u>176,094,132</u>
<b>(l) Deferred tax assets</b>		
Closing balance under MFRS 139 as at 31 December 2017	333,851	111,658
- Tax effect arising from MFRS 9	134,022	155,236
Opening balance under MFRS 9 as at 1 January 2018	<u>467,873</u>	<u>266,894</u>
<b>(m) Other liabilities</b>		
Closing balance under MFRS 139 as at 31 December 2017	12,003,591	10,430,514
- recognition of expected credit losses under MFRS 9	392,603	307,920
Opening balance under MFRS 9 as at 1 January 2018	<u>12,396,194</u>	<u>10,738,434</u>
<b>(n) Provision for taxation</b>		
Closing balance under MFRS 139 as at 31 December 2017	358,462	300,254
- Tax effect arising from MFRS 9	(296,912)	(256,894)
Opening balance under MFRS 9 as at 1 January 2018	<u>61,550</u>	<u>43,360</u>

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**Notes to the Financial Statements  
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- (iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Impact of adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	The Bank RM'000
<b>(o) Retained earnings</b>		
Closing balance under MFRS 139 as at 31 December 2017	17,643,982	12,433,661
- Transfer to regulatory reserve *	(11,092)	(56,728)
- Reversal of MFRS 139 impairment loss for equity instruments at fair value through other comprehensive income	147,249	118,198
- Transfer from revaluation reserve - financial investment available-for-sale	672,566	659,669
- unrealised loss on financial assets at fair value through profit or loss	(13,786)	(13,786)
- Remeasurement of debt instruments at amortised cost	20	20
- unrealised loss on reverse repurchase agreements at fair value through profit or loss	(13,680)	(13,680)
- Non-controlling interests' share of impact arising from remeasurement under MFRS 9	(1,223)	-
- Recognition of expected credit losses under MFRS 9	(1,343,680)	(1,154,675)
- Tax effect arising from MFRS 9	275,701	256,895
- Transfer to cost of hedging reserve	(55)	(55)
- Transfer from own credit risk reserve	4,212	4,212
	<u>17,360,214</u>	<u>12,233,731</u>
<b>(p) Revaluation reserve - financial investment available-for-sale</b>		
Closing balance under MFRS 139 as at 31 December 2017	500,464	501,733
- Transfer to retained earnings	(672,566)	(659,669)
- Revaluation loss transfer to fair value reserve - debt instruments at fair value through other comprehensive income	144,509	137,617
- Transfer to fair value reserve - equity instruments at fair value through other comprehensive income	(125,078)	(123,016)
- Non-controlling interests' share of impact arising from remeasurement under MFRS 9	2,254	-
- Remeasurement of debts at amortised cost	23,782	15,599
- Tax effect arising from MFRS 9	126,635	127,736
	<u>-</u>	<u>-</u>
<b>(q) Fair value reserve - Debt instruments at fair value through other comprehensive income</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- Revaluation loss transfer from revaluation reserve - financial investment available-for-sale	(144,509)	(137,617)
- Unrealised gain on debt instruments at fair value through other comprehensive income	9,548	6,720
- Recognition of expected credit losses under MFRS 9	24,535	23,265
- Non-controlling interests' share of impact arising from remeasurement under MFRS 9	(673)	-
- Tax effect arising from MFRS 9	41,218	39,745
	<u>(69,881)</u>	<u>(67,887)</u>

\* In accordance with BNM guideline issued on 2 February 2018

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for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

- (iv) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	Impact of adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	The Bank RM'000
<b>(r) Fair value reserve - Equity instruments at fair value through other comprehensive income</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- Transfer from revaluation reserve - financial investment available-for-sale	125,078	123,016
- Unrealised loss on equity instruments at fair value through other comprehensive income	(147,249)	(118,198)
- Non-controlling interests' share of impact arising from remeasurement under MFRS 9	1,603	-
- Tax effect arising from MFRS 9	(12,620)	(12,246)
	<u>(33,188)</u>	<u>(7,428)</u>
<b>(s) Own credit risk reserve</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- Transfer from retained earnings	(4,212)	(4,212)
	<u>(4,212)</u>	<u>(4,212)</u>
<b>(t) Regulatory reserve</b>		
Closing balance under MFRS 139 as at 31 December 2017	1,500,556	1,208,956
- Transfer from retained earnings	11,092	56,728
	<u>1,511,648</u>	<u>1,265,684</u>
<b>(u) Cost of hedging reserve</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- Transfer from retained earnings	55	55
	<u>55</u>	<u>55</u>
<b>(v) Non-controlling interests</b>		
Closing balance under MFRS 139 as at 31 December 2017	256,511	-
Non-controlling interests' share of impact arising from remeasurement under MFRS 9	(1,961)	-
	<u>254,550</u>	<u>-</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****56 Change in accounting policies (Continued)**

(v) The following table reconciles the opening expected credit losses for the Group and the Bank in accordance with MFRS 9 as at 1 January 2018:

	The Group				The Bank			
	MFRS 139/ MFRS 137 balance as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 January 2018 RM'000	MFRS 139/ MFRS 137 balance as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 January 2018 RM'000
Impairment allowance on:								
Loans, advances and financing								
- at amortised cost	4,238,394	-	905,415	5,143,809	2,617,678	-	802,904	3,420,582
Cash and short term funds	-	-	41	41	-	-	-	-
Deposits and placement with Bank and other financial institutions	-	-	1,607	1,607	-	-	1,524	1,524
Financial investments available-for-sale (MFRS139)/ Financial instruments at FVOCI (MFRS 9)	305,891	(172,584)	24,535	157,842	254,596	(121,291)	23,265	156,570
Financial investments held-to-maturity (MFRS139)/ debt instruments at amortised cost (MFRS 9)	7,180	-	19,479	26,659	-	-	19,062	19,062
Loans commitments and financial guarantees	49,095	-	392,603	441,698	-	-	307,920	307,920
<b>Total</b>	<b>4,600,560</b>	<b>(172,584)</b>	<b>1,343,680</b>	<b>5,771,656</b>	<b>2,872,274</b>	<b>(121,291)</b>	<b>1,154,675</b>	<b>3,905,658</b>

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 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.

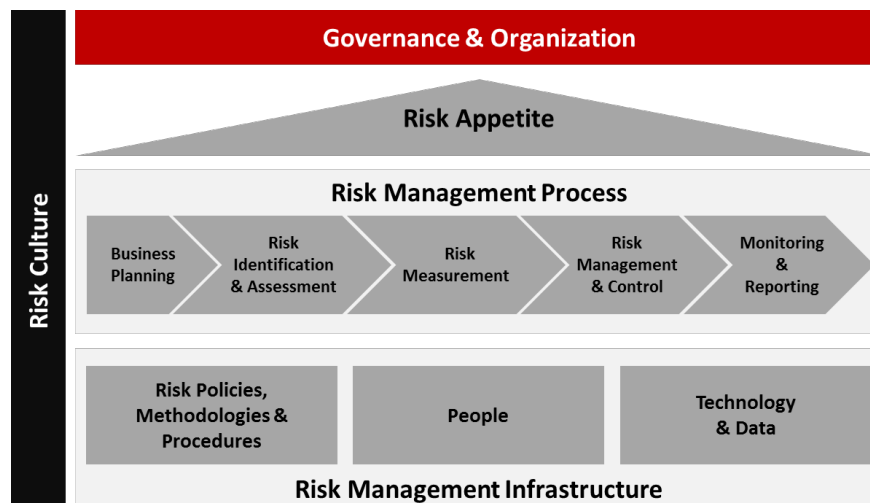
Generally, the objectives of the risk management activities are to:

- Identify the various risk exposures and capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- Create shareholders’ value through sound risk management framework.

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

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

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



# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

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

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

The key features of the EWRM framework include:

i) Risk Culture

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

ii) Governance & Organisation

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

iii) Risk Appetite

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

iv) Risk Management Process

- **Business Planning:** Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/ new business activities.
- **Risk Identification & Assessment:** Risks are systematically identified and assessed through the robust application of the Group’s risk policies, methodologies/standards and procedures/process guides.



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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

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

##### iv) Risk Management Process (Continued)

- 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/Process Guides: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures/Process Guide provide more detailed guidance to assist with the implementation of policies.
- People: Attracting the right talent and skillset are key to ensuring a well-functioning EWRM Framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management support risk management activities.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

The responsibility of the supervising risk management functions is delegated to the GRCC, comprised of senior management and reports directly to the BRCC. The 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. The GRCC is supported by specialised risk committees, namely Group Credit Committee (GCC), Group Market Risk Committee (GMRC), Group Operational Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

- (i) Market risk, arising from fluctuations in the value of the trading or investment exposure resulting from movement in market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- (ii) Credit risk, arising from the possibility of losses due to an obligor or market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;
- (iii) Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;
- (iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;
- (v) Interest rate risk in the banking book, which is the current and potential risk to the Group's earnings and economic value arising from movement in interest rates;

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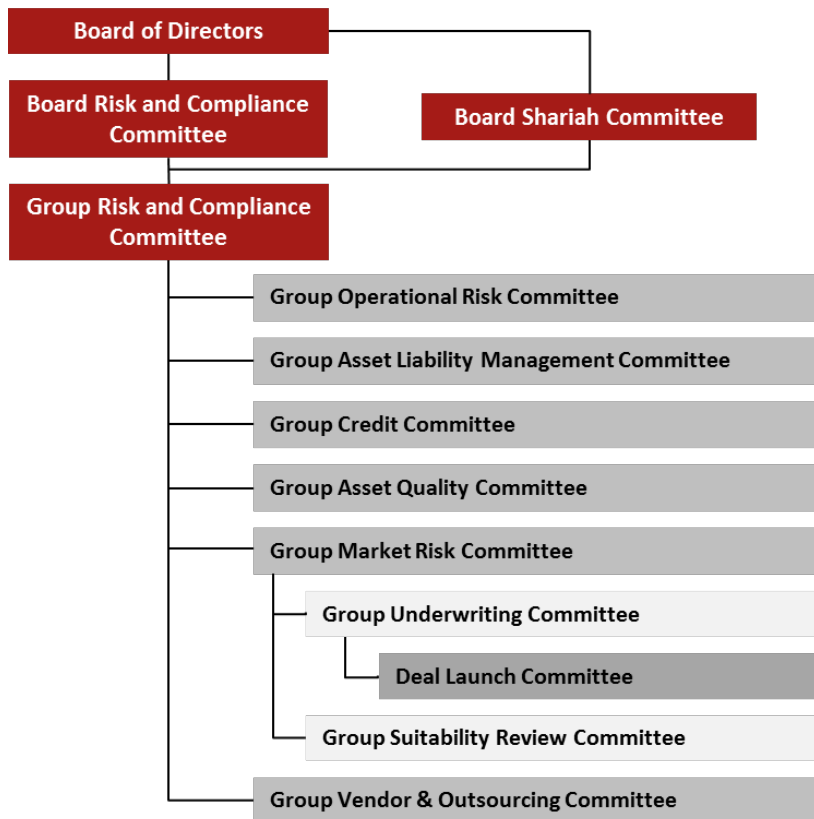
## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

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

- (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 risk of possible failure to comply with the Shariah requirements determined by the Shariah Advisory Council (SAC) of BNM and Securities Commission (SC), Board Shariah Committee (BSC) of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

The structure of the Group's Risk Committees is depicted as follows:



# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

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

The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the Group and regional committees have consultative and advisory responsibilities on regional matters across the Group as regulators allow. This structure increases regional communication regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus providing the Board with a comprehensive view of the activities within the Group.

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

The Group's risk management culture is embodied through the adoption of on 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 management to ensure that the Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line of defence is Group Internal Audit Division which provides independent assurance on the adequacy and effectiveness of the internal controls and risk management activities processes.

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

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

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

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

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

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

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

The organisational structure of GRD is made of two major components, namely the CRO and the Risk Centres of Excellence. (“CoE”):

##### ***a) 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.

##### ***b) Risk Centres of Excellence***

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

##### **(i) Risk Analytics & Infrastructure CoE**

The Risk Analytics & Infrastructure CoE designs frameworks, validates credit risk models and tools and implements standardised infrastructure for risk management across the Group.

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

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

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

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

##### **(ii) 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.

##### **(iii) Operational Risk CoE**

The Operational Risk CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to 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.

In October 2018, the Shariah Risk Management ("SRM") CoE has been integrated with the Operational Risk CoE. The SRM unit facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

##### **(iv) 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 risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk 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 Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

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

##### ***The Roles of Group Chief Risk Officer (CRO) and Group Risk (continued)***

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

##### **(v) Credit Risk CoE**

The Credit Risk CoE consists of retail and non-retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies/standards and procedures/process guides, credit risk models, underwriting and portfolio analytics.

In addition to the above Risk CoEs, there is also Group Data Governance CoE within Group Risk that formulates the Data Governance and Data Management framework, policy and procedures. It ensures standardisation and consistency of data governance and data management structure, methodology and data governance model across the Group and for country adoption.

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

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

These information are available in later sections for each Credit Risk, Market Risk and Liquidity Risk.

#### **57.1 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.

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance as well as commitments to support customer's obligations to third parties, e.g. guarantees or kafalah contracts.

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 and Group Risk as a function independent from the business units is the second line of defence. This enhances the collaboration between Group Risk and the business units.

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



# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.1 Credit risk (Continued)**

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

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authority holders between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units' officers are delegated with credit approving authority to approve low valued credit facilities. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and relevant credit committee.

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.1 Credit risk (Continued)**

##### **Credit Risk Management (continued)**

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

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

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

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

# **CIMB Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.1 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 are considered secondary recourse to the obligor for the credit risk underwritten.

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

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

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land 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 collaterals to be considered as effective risk mitigants.

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

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

##### Credit Risk Mitigation (Continued)

iii) *Netting*

In mitigating the credit risks in foreign exchange and derivative transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

iv) *Portfolio diversification for better clarity*

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

##### Credit Risk Measurement

The measurement of expected credit loss allowance under the MFRS9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in its 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 Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

##### Credit Risk Measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk ('SICR')

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

##### Retail

A retail loan, advances and financing is perceived to have experienced significant increase in credit risk when the asset meets one of the following criteria:

- Past due for more than 1 month on its contractual payment;
- Modified under Agensi Kaunseling dan Pengurusan Kredit (AKPK) scheme and subject to monitoring period;
- Margin call commenced (applicable to share margin financing only).

##### Non-retail

The stage allocation will be performed at borrower level. A borrower is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Borrower on watchlist and exhibits weaknesses which will potentially become a non-performing account in the next 12 months;
- Past due for more than 1 month on its contractual payment;

##### Treasury

A debt instrument is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Borrower on watchlist and exhibits weaknesses which will potentially become a non-performing account in the next 12 months;
- Margin call or force selling trigger not regularised within the stipulated period (applicable to option premium financing only).

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

##### Credit Risk Measurement (Continued)

The Group has not used the low credit risk exemption for any financial instruments at 1 January 2018 and for the year ended 31 December 2018. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the management.

##### (ii) Definition of credit impaired

###### Loans, advances and financing

The Group classified a loan, advances and financing as impaired when it meets one or more of the following criteria:

- The principal or interest or both of the loan is past due for more than 3 months. In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 3 months. For the purpose of ascertaining the period in arrears:
  1. Repayment on each of the instalment amount must be made in full. A partial repayment made on an instalment amount shall be deemed to be in arrears.
  2. Where a moratorium on loan repayment is granted in relation to the rescheduling and restructuring, the determination of period in arrears shall exclude the moratorium period granted. The moratorium shall be for a period of not more than 6 months from the date of the obligor's/counterparty's application for the moratorium.
  3. Where repayments are scheduled on interval of 3 months or longer, the loan is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the credit risk grading framework.
- Any financing that exhibits weaknesses in accordance with the Group's internal credit risk rating of 14 and above shall be classified as impaired upon approval by the relevant approving authority.
- The loan is forced impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor etc. In the event where a loan is not in default or past due but force impaired, the loan shall be classified as impaired upon approval by Group Asset Quality Committee.
- Restructuring and rescheduling of a loan facility involves any modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of a obligor/counterparty.

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

##### Credit Risk Measurement (Continued)

###### (ii) Definition of credit impaired (continued)

- When an obligor/counterparty has multiple loans with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- The loan is classified as rescheduled and restructured in CCRIS.

##### Bonds and other debt instruments measured at amortised cost or FVOCI

The financial instruments are classified as impaired when it meets one or more of the following criteria:

- Bond that have an internal rating of 14 and above shall be classified as impaired upon approval by relevant approval authority. Impaired credits must be graded / classified with the appropriate regulatory financing grading(s).
- Bonds which are force impaired and approved by Group Asset Quality Committee will be subject to individual impairment assessment.
- When an obligor/counterparty has multiple loans/bonds with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, an assessment of provision needs to be performed on individual loan/bond level instead of consolidated obligor/counterparty level.

###### (iii) Definition of default

##### Loans, advances and financing

The Group defines a financial instrument as in default when it meets one or more of the following criteria:

- Credit-impaired;
- Restructured accounts by AKPK scheme;
- Write-off / charged-off accounts;
- Repossessed accounts (applicable for hire purchase receivables only);
- Force disposed accounts (applicable for non-voluntary ASB loans, advance an financing only).

# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

##### Credit Risk Measurement (Continued)

(iii) Definition of default (continued)

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations for loans, advances and financing.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

##### Bonds and other debt instruments measured at amortised cost or FVOCI

The default criteria is fully aligned with external rating agency's default definition as the Group has chosen to benchmark external data for modelling purposes:

- Failure to make principal and/or interest / profit payment under the contractual terms, which is not remedied within the grace period.
- Bankruptcy filings, administration, receivership, liquidation, winding-up or cessation of business of issuer/obligor.
- Failure to honor corporate-guarantee obligations provided to subsidiaries.
- Distressed exchange offer (e.g. extended maturities, lower coupons and etc.).
- Change in payment terms of a credit arrangement or indenture imposed by the sovereign that results in a diminished financial obligation.

(iv) Measuring ECL - inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.



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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

##### Credit Risk Measurement (Continued)

##### (iv) Measuring ECL - inputs, assumptions and estimation techniques (Continued)

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

##### Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD. The Lifetime PD is developed using forecasted MEV with the application of survival probabilities up to maturity of the loan facility.

##### Exposure at Default

EAD is the total amount that the Group is exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default.

##### Loss Given Default

LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.1 Credit risk (Continued)**

##### **Credit Risk Measurement (Continued)**

###### **(iv) Measuring ECL - inputs, assumptions and estimation techniques (Continued)**

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.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.1 Credit risk (Continued)**

##### **Credit Risk Measurement (Continued)**

- (v) Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Group has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are sourced from Group's Economics team and external research house.

At 1 January 2018 and 31 December 2018, the Group concluded that three scenarios appropriately captured non-linearities. The other possible scenarios and scenario weightings are determined by a combination of statistical analysis and expert credit judgement.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

The Group and the Bank have also identified the key economic variables and carried out sensitivity assessment of ECL for loans, advances and financing in relation to the changes in these key economic variables whilst keeping other variables unchanged. The sensitivity factors used are derived based on expected standard deviation determined for each key economic variables to assess the impact on the ECL of the Group and the Bank.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.1 Credit risk (Continued)**

##### **Credit Risk Measurement (Continued)**

- (vi) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk and Modeling team.

##### **Write off policy**

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

The Group and the Bank may write-off loan or debt instruments that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off for the Group and the Bank during the year ended 31 December 2018 were RM906 million and RM507 million respectively.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.1 Credit risk (Continued)**

##### **Credit Risk Measurement (Continued)**

###### Modification of loans

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 borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significant affect the credit risk associated with the loan.

The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loans. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.1 Credit risk (Continued)**

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

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

##### **i) Credit Risk Mitigation**

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annexes, International Swaps and Derivatives Association Agreement (CSA) with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

##### **ii) Treatment of Rating Downgrade**

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2018 and 31 December 2017, there was no requirement for additional collateral to be posted.

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Financial guarantees	<b>3,698,125</b>	6,034,079	<b>2,727,646</b>	5,069,647
Credit related commitments and contingencies	<b>67,400,204</b>	82,362,260	<b>53,798,583</b>	68,197,614
	<b>71,098,329</b>	88,396,339	<b>56,526,229</b>	73,267,261

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group and the Bank is 59.8% (2017: 70.1%) and 63.9% (2017: 77.0%) respectively while the financial effect of collateral for derivatives for the Group and the Bank is 70.8% (2017: 59.1%) and 56.6% (2017: 51.9%) respectively. The financial effect of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 31 December 2018 for the Group and the Bank is 77.7% and 60.2% respectively.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.2 Offsetting financial assets and financial liabilities****(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements – by type**

	The Group						The Bank					
				Related amounts not set off in the statement of financial position						Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial assets in the statement of financial position	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amount	Gross amounts of recognised financial assets in the statement of financial position	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amount
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>2018</b>												
<u>Financial assets</u>												
Derivatives	8,330,859	-	8,330,859	(4,526,519)	(662,912)	3,141,428	5,589,909	-	5,589,909	(2,438,580)	(566,745)	2,584,584
Reverse repurchase agreements	11,102,259	-	11,102,259	(545,950)	(10,496,213)	60,096	10,973,923	-	10,973,923	(545,950)	(10,371,756)	56,217
Share margin financing	715,119	-	715,119	-	(714,957)	162	714,912	-	714,912	-	(714,912)	-
<b>Total</b>	<b>20,148,237</b>	<b>-</b>	<b>20,148,237</b>	<b>(5,072,469)</b>	<b>(11,874,082)</b>	<b>3,201,686</b>	<b>17,278,744</b>	<b>-</b>	<b>17,278,744</b>	<b>(2,984,530)</b>	<b>(11,653,413)</b>	<b>2,640,801</b>
<b>2017</b>												
<u>Financial assets</u>												
Derivatives	8,370,447	-	8,370,447	(4,211,037)	(607,703)	3,551,707	6,062,542	-	6,062,542	(2,951,003)	(67,800)	3,043,739
Reverse repurchase agreements	6,484,687	-	6,484,687	(506,656)	(5,902,331)	75,700	5,000,601	-	5,000,601	(506,656)	(4,461,025)	32,920
Share margin financing	888,736	-	888,736	-	(885,034)	3,702	884,999	-	884,999	-	(884,341)	658
<b>Total</b>	<b>15,743,870</b>	<b>-</b>	<b>15,743,870</b>	<b>(4,717,693)</b>	<b>(7,395,068)</b>	<b>3,631,109</b>	<b>11,948,142</b>	<b>-</b>	<b>11,948,142</b>	<b>(3,457,659)</b>	<b>(5,413,166)</b>	<b>3,077,317</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.2 Offsetting financial assets and financial liabilities (Continued)****(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements – by type**

	The Group						The Bank					
				Related amounts not set off in the statement of financial position						Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial liabilities in the statement of financial position	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amount	Gross amounts of recognised financial liabilities in the statement of financial position	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amount
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2018</b>												
<u>Financial liabilities</u>												
Derivatives	8,218,111	-	8,218,111	(4,392,063)	(1,368,604)	2,457,444	5,329,706	-	5,329,706	(2,349,426)	(685,421)	2,294,859
Repurchase agreements	10,851,842	-	10,851,842	(10,837,117)	-	14,725	6,709,187	-	6,709,187	(6,695,631)	-	13,556
<b>Total</b>	<b>19,069,953</b>	<b>-</b>	<b>19,069,953</b>	<b>(15,229,180)</b>	<b>(1,368,604)</b>	<b>2,472,169</b>	<b>12,038,893</b>	<b>-</b>	<b>12,038,893</b>	<b>(9,045,057)</b>	<b>(685,421)</b>	<b>2,308,415</b>
<b>2017</b>												
<u>Financial liabilities</u>												
Derivatives	8,728,437	-	8,728,437	(4,209,611)	(508,094)	4,010,732	6,523,609	-	6,523,609	(2,951,850)	(40,087)	3,531,672
Repurchase agreements	3,318,517	-	3,318,517	(3,305,499)	-	13,018	3,318,517	-	3,318,517	(3,305,499)	-	13,018
<b>Total</b>	<b>12,046,954</b>	<b>-</b>	<b>12,046,954</b>	<b>(7,515,110)</b>	<b>(508,094)</b>	<b>4,023,750</b>	<b>9,842,126</b>	<b>-</b>	<b>9,842,126</b>	<b>(6,257,349)</b>	<b>(40,087)</b>	<b>3,544,690</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

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

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

#### (a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2018 and 31 December 2017 are as follows:

The Group 2018	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
Cash and short-term funds	20,494,816	17,993	56,654	345,202	893,976	918,208	334,432	562,653	1,694,066	25,318,000
Reverse repurchase agreements	4,186,371	1,015	128,336	2,007,518	108,707	296,712	15,159	97,912	4,260,529	11,102,259
Deposits and placements with banks and other financial institutions	1,658,103	55,652	-	167	-	-	-	292,677	347,695	2,354,294
Financial assets at fair value through profit or loss	14,623,574	7,971	3,220,767	4,472,497	69,515	54,288	1,101,957	586,616	3,146,218	27,283,403
Debt instruments at fair value through other comprehensive income	15,526,554	332,910	6,517,001	1,680,922	-	217,691	1,061,879	631,448	431,672	26,400,077
Debt instruments at amortised cost	29,100,512	-	2,566,442	4,064,089	-	-	-	-	53,427	35,784,470
Derivative financial instruments	2,487,660	310,878	2,673,095	857,361	4,244	938,193	343,348	-	716,080	8,330,859
Loans, advances and financing	204,574,074	2,553,473	29,598,122	28,830,326	145,788	4,825,826	2,264,491	3,688,244	7,989,147	284,469,491
Other assets	3,302,227	28,369	751,960	486,664	227,396	232,066	119,583	43	1,061,311	6,209,619
Amounts due from holding company and ultimate holding company	2,361	-	-	-	-	-	-	-	-	2,361
Amount due from related companies	1,072,942	1,194	423	2,485	-	35	-	-	683	1,077,762
Financial guarantees	1,937,442	47,794	337,596	748,598	4,838	57,513	3,672	2,590	558,082	3,698,125
Credit related commitments and contingencies	58,223,400	149,127	1,788,854	3,561,769	20,039	858,453	575,073	652,817	1,570,672	67,400,204
<b>Total credit exposures</b>	<b>357,190,036</b>	<b>3,506,376</b>	<b>47,639,250</b>	<b>47,057,598</b>	<b>1,474,503</b>	<b>8,398,985</b>	<b>5,819,594</b>	<b>6,515,000</b>	<b>21,829,582</b>	<b>499,430,924</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2018 and 31 December 2017 are as follows: (Continued)

The Group 2017	2017									
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
Cash and short-term funds	25,726,372	55,583	160,911	435,963	1,106,435	998,560	263,624	256,983	1,663,326	30,667,757
Reverse repurchase agreements	2,095,743	933	1,484,655	923,600	39,046	349,334	85,809	76,947	1,428,620	6,484,687
Deposits and placements with banks and other financial institutions	334,633	163,134	-	234	-	164,585	-	331,343	200,276	1,194,205
Financial assets held for trading	9,604,234	181,112	1,349,163	4,412,842	84,040	562,357	547,288	397,975	1,777,026	18,916,037
Financial investments available-for-sale	15,053,877	542,253	2,668,424	1,978,970	10,292	433,186	1,336,513	413,265	825,449	23,262,229
Financial investments held-to-maturity	28,334,338	-	1,705,420	4,269,075	-	-	-	-	14,269	34,323,102
Derivative financial instruments	2,773,201	220,988	2,438,362	961,613	1,704	897,033	566,922	-	510,624	8,370,447
Loans, advances and financing	186,882,339	2,737,103	28,653,125	26,253,912	188,364	3,872,242	2,275,167	4,767,643	6,158,814	261,788,709
Other assets	6,062,686	31,878	562,034	761,000	210,938	319,131	72,755	134	956,003	8,976,559
Amounts due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	-	-	3,227
Amount due from related companies	1,104,786	1,206	236	61	-	29	-	1	698	1,107,017
Financial guarantees	2,241,152	168,079	407,683	1,694,267	60,111	91,446	158,599	36,994	1,175,748	6,034,079
Credit related commitments and contingencies	74,918,196	161,301	1,434,205	1,548,973	1,454	645,828	737,892	707,985	2,206,426	82,362,260
<b>Total credit exposures</b>	<b>355,134,784</b>	<b>4,263,570</b>	<b>40,864,218</b>	<b>43,240,510</b>	<b>1,702,384</b>	<b>8,333,731</b>	<b>6,044,569</b>	<b>6,989,270</b>	<b>16,917,279</b>	<b>483,490,315</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2018 and 31 December 2017 as follows: (Continued)

The Bank 2018	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
Cash and short-term funds	10,829,370	15,781	25,772	368,562	835,581	870,706	327,183	563,255	862,990	14,699,200
Reverse repurchase agreements	4,186,371	1,015	-	2,007,518	108,707	296,712	15,159	97,912	4,260,529	10,973,923
Deposits and placements with banks and other financial institutions	10,423,840	55,652	-	-	-	-	-	292,677	166,251	10,938,420
Financial assets at fair value through profit or loss	11,704,086	7,971	271,033	4,472,497	69,515	54,288	1,101,957	586,616	3,146,218	21,414,181
Debt instruments at fair value through other comprehensive income	12,842,781	332,910	268,403	1,619,791	-	217,691	1,061,879	631,448	416,499	17,391,402
Debt instruments at amortised cost	22,886,656	-	779,193	4,064,089	-	-	-	-	43,803	27,773,741
Derivative financial instruments	2,592,753	310,878	314,667	854,006	3,814	787,780	338,759	-	387,252	5,589,909
Loans, advances and financing	133,652,964	2,553,473	1,840,292	28,830,326	43,329	4,825,826	2,264,491	3,688,244	5,357,871	183,056,816
Other assets	3,180,731	28,192	-	486,597	227,312	211,144	119,575	43	1,051,390	5,304,984
Amounts due from holding company and ultimate holding company	2,361	-	-	-	-	-	-	-	-	2,361
Amount due from subsidiaries	2,825	-	764	-	-	5	-	1	1,456	5,051
Amount due from related companies	1,071,844	1,171	-	2,485	-	35	-	-	683	1,076,218
Financial guarantees	1,691,771	47,794	18,017	748,598	4,838	57,513	3,672	2,590	152,853	2,727,646
Credit related commitments and contingencies	46,915,616	138,863	2,250	3,535,467	20,039	854,920	570,461	647,176	1,113,791	53,798,583
<b>Total credit exposures</b>	<b>261,983,969</b>	<b>3,493,700</b>	<b>3,520,391</b>	<b>46,989,936</b>	<b>1,313,135</b>	<b>8,176,620</b>	<b>5,803,136</b>	<b>6,509,962</b>	<b>16,961,586</b>	<b>354,752,435</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2018 and 31 December 2017 are as follows: (Continued)

The Bank 2017	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
Cash and short-term funds	14,138,525	53,844	130,776	459,628	603,349	947,031	262,900	257,499	435,305	17,288,857
Reverse repurchase agreements	2,095,743	933	569	923,600	39,046	349,334	85,809	76,947	1,428,620	5,000,601
Deposits and placements with banks and other financial institutions	8,568,365	163,134	-	-	-	164,585	-	331,343	-	9,227,427
Financial assets held for trading	6,381,946	181,112	153,801	4,412,842	84,040	562,357	547,288	397,975	1,777,026	14,498,387
Financial investments available-for-sale	13,193,735	542,253	74,088	1,927,763	10,292	433,186	1,336,513	413,265	810,246	18,741,341
Financial investments held-to-maturity	23,904,570	-	481,987	4,269,075	-	-	-	-	42,929	28,698,561
Derivative financial instruments	2,892,747	220,988	255,914	944,624	822	836,398	566,294	-	344,755	6,062,542
Loans, advances and financing	129,028,271	2,737,103	3,662,723	26,253,910	42,367	3,872,242	2,275,167	4,767,643	4,257,610	176,897,036
Other assets	5,808,857	31,878	236	761,000	210,938	274,148	72,755	134	890,118	8,050,064
Amounts due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	-	-	3,227
Amount due from subsidiaries	44,671	-	1,219	-	-	17,330	-	1	606	63,827
Amount due from related companies	1,103,765	1,184	44	61	-	29	-	1	698	1,105,782
Financial guarantees	2,026,879	168,079	56,911	1,694,267	60,111	91,446	158,599	36,994	776,361	5,069,647
Credit related commitments and contingencies	62,534,514	155,792	2,297	1,522,215	-	642,212	734,161	705,308	1,901,115	68,197,614
<b>Total credit exposures</b>	<b>271,725,815</b>	<b>4,256,300</b>	<b>4,820,565</b>	<b>43,168,985</b>	<b>1,050,965</b>	<b>8,190,298</b>	<b>6,039,486</b>	<b>6,987,110</b>	<b>12,665,389</b>	<b>358,904,913</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****53 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2018 and 31 December 2017 based on the industry sectors of the counterparty are as follows:

The Group 2018	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets * RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	255	258,396	-	275,042	7,705,480	-	8,239,173
Mining and quarrying	-	-	-	105,892	354,871	1,063,130	132,261	6,168,352	-	7,824,506
Manufacturing	-	-	-	355,007	306,235	25,992	85,099	12,604,637	38	13,377,008
Electricity, gas and water supply	-	-	-	605,933	3,405,248	1,343,567	252,872	3,813,467	2,499	9,423,586
Construction	-	-	-	99,057	1,348,063	317,142	45,122	12,458,366	153	14,267,903
Transport, storage and communications	-	-	-	263,043	2,606,678	1,845,399	784,883	9,378,010	3,709	14,881,722
Education, health and others	-	-	-	2,046	61,043	-	1,521	13,923,644	69	13,988,323
Wholesale and retail trade, and restaurants and hotels	-	-	-	47,210	82,813	2,577	32,120	20,785,021	22,229	20,971,970
Finance, insurance/takaful, real estate and business activities	25,318,000	10,171,802	2,354,294	16,862,952	13,052,568	14,702,347	6,309,787	37,587,467	7,040,091	133,399,308
<i>Others</i>										
Household	-	-	-	-	-	-	-	157,829,060	6	157,829,066
Others	-	930,457	-	8,942,008	4,924,162	16,484,316	412,152	2,215,987	220,948	34,130,030
	25,318,000	11,102,259	2,354,294	27,283,403	26,400,077	35,784,470	8,330,859	284,469,491	7,289,742	428,332,595

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 53 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

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

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

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2018 and 31 December 2017 based on the industry sectors of the counterparty are as follows: (Continued)

The Group 2017	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets <sup>*</sup> RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	1,020	254,809	-	53,238	6,726,788	-	7,035,855
Mining and quarrying	-	-	-	280,715	331,271	1,132,352	91,342	6,147,996	-	7,983,676
Manufacturing	-	-	-	81,811	438,503	103,565	123,228	13,226,856	-	13,973,963
Electricity, gas and water supply	-	-	-	794,512	3,560,089	1,398,505	243,116	2,681,341	1,991	8,679,554
Construction	-	-	-	321,009	1,824,144	754,426	59,381	10,467,017	-	13,425,977
Transport, storage and communications	-	-	-	422,458	2,409,700	2,047,353	310,140	8,127,161	168,051	13,484,863
Education, health and others	-	-	-	-	10,324	-	6,813	14,448,287	-	14,465,424
Wholesale and retail trade, and restaurants and hotels	-	-	-	66	148,185	5,027	6,276	19,231,495	364	19,391,413
Finance, insurance/takaful, real estate and business activities	30,667,757	5,493,702	1,194,205	9,202,000	10,499,439	11,135,393	6,533,437	31,889,231	9,487,469	116,102,633
<i>Others</i>										
Household	-	-	-	-	-	-	2,673	146,881,646	7,129	146,891,448
Others	-	990,985	-	7,812,446	3,785,765	17,746,481	940,803	1,960,891	421,799	33,659,170
	30,667,757	6,484,687	1,194,205	18,916,037	23,262,229	34,323,102	8,370,447	261,788,709	10,086,803	395,093,976

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

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

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

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

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2018 and 31 December 2017 based on the industry sectors of the counterparty are as follows:

The Bank 2018	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets * RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	255	192,253	-	273,896	5,370,946	-	5,837,350
Mining and quarrying	-	-	-	101,661	293,169	1,063,130	129,621	3,880,909	-	5,468,490
Manufacturing	-	-	-	308,720	246,711	25,423	15,198	6,790,889	-	7,386,941
Electricity, gas and water supply	-	-	-	605,803	3,230,024	1,147,915	118,242	2,111,793	2,004	7,215,781
Construction	-	-	-	35,489	1,050,095	231,723	42,632	9,610,164	-	10,970,103
Transport, storage and communications	-	-	-	145,723	1,924,260	909,477	780,647	5,250,288	3,487	9,013,882
Education, health and others	-	-	-	-	-	-	-	7,314,175	-	7,314,175
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	11,398	14,615,526	16	14,626,940
Finance, insurance/takaful, real estate and business activities	14,699,200	10,043,466	10,938,420	13,923,480	7,325,901	11,846,965	3,994,043	26,721,450	6,191,016	105,683,941
<i>Others</i>										
Household	-	-	-	-	-	-	-	99,370,743	-	99,370,743
Others	-	930,457	-	6,293,050	3,128,989	12,549,108	224,232	2,019,933	192,091	25,337,860
	14,699,200	10,973,923	10,938,420	21,414,181	17,391,402	27,773,741	5,589,909	183,056,816	6,388,614	298,226,206



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2018 and 31 December 2017 based on the industry sectors of the counterparty are as follows:  
(Continued)

**The Bank  
2017**

	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other financial assets * RM'000	Total credit exposures RM'000
Primary agriculture	-	-	-	1,020	198,639	-	53,200	4,633,131	-	4,885,990
Mining and quarrying	-	-	-	280,715	312,169	1,132,352	87,846	3,944,990	-	5,758,072
Manufacturing	-	-	-	77,335	422,816	76,702	34,279	7,989,893	-	8,601,025
Electricity, gas and water supply	-	-	-	794,512	3,326,399	1,182,362	116,340	1,124,035	1,991	6,545,639
Construction	-	-	-	304,112	1,487,909	552,184	56,775	8,910,956	-	11,311,936
Transport, storage and communications	-	-	-	403,406	1,813,651	1,075,338	300,620	5,435,064	167,943	9,196,022
Education, health and others	-	-	-	-	-	-	-	6,359,750	-	6,359,750
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	14,076,916	342	14,077,258
Finance, insurance/takaful, real estate and business activities	17,288,857	4,009,616	9,227,427	6,260,709	7,889,339	9,272,282	4,597,415	22,945,885	8,684,135	90,175,665
<i>Others</i>										
Household	-	-	-	-	-	-	-	99,663,047	-	99,663,047
Others	-	990,985	-	6,376,578	3,290,419	15,407,341	816,067	1,813,369	368,489	29,063,248
	17,288,857	5,000,601	9,227,427	14,498,387	18,741,341	28,698,561	6,062,542	176,897,036	9,222,900	285,637,652

\* Other financial assets include amount due from holding company and ultimate holding company, amount due from subsidiaries, amount due from related companies and other financial asset

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

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

	The Group			
	2018		2017	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	61,204	588,322	81,454	1,598,887
Mining and quarrying	43,212	238,469	152,547	567,239
Manufacturing	583,133	1,333,859	610,326	5,653,838
Electricity, gas and water supply	169,538	1,836,792	138,522	604,802
Construction	549,755	3,387,280	593,325	6,136,815
Transport, storage and communications	227,786	1,199,703	228,837	2,050,166
Education, health and others	86,108	573,988	91,722	3,575,248
Wholesale and retail trade, and restaurants and hotels	1,124,777	2,641,557	2,359,781	6,715,281
Finance, insurance/takaful, real estate and business activities	685,981	7,176,110	1,601,990	9,544,360
<i>Others</i>				
Household	68,494	48,176,436	61,925	40,373,319
Others	98,137	247,688	113,650	5,542,305
	<b>3,698,125</b>	<b>67,400,204</b>	<b>6,034,079</b>	<b>82,362,260</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

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

	The Bank			
	2018		2017	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	55,100	219,643	75,124	1,309,911
Mining and quarrying	42,779	56,094	152,254	268,874
Manufacturing	501,692	764,661	442,086	4,718,025
Electricity, gas and water supply	88,951	1,704,027	53,812	533,916
Construction	481,692	1,976,209	556,525	4,249,146
Transport, storage and communications	221,994	952,738	223,487	1,611,112
Education, health and others	85,005	463,277	90,649	3,178,729
Wholesale and retail trade, and restaurants and hotels	716,231	1,780,658	2,004,299	5,870,419
Finance, insurance/takaful, real estate and business activities	401,765	4,796,969	1,324,225	5,605,886
<i>Others</i>				
Household	68,382	40,902,202	61,825	35,938,160
Others	64,055	182,105	85,361	4,913,436
	<b>2,727,646</b>	<b>53,798,583</b>	<b>5,069,647</b>	<b>68,197,614</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

##### 57.1.4 Credit quality of financial assets

###### (a) Financial assets using General 3-stage approach

Where expected credit loss model is applied, the credit quality of financial instruments subject to credit risk are assessed by reference to the internal rating system adopted by the Group in 2018, as summarised below:

###### Loans, advances and financing and loans commitment and financial guarantees

Rating classification	Internal rating
Good	1 to 10b
Satisfactory	11a - 13e
Impaired	14

###### Other financial instruments

Rating classification	Internal rating
Investment Grade (IG)	1 to 6
Non-Investment Grade	7 to 13e
Impaired	14

*Other financial instruments include cash and short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements at amortised cost, debt instruments at fair value through other comprehensive income ("FVOCI"), debt instruments at amortised cost, amount due from intercompany balances and other assets.*

Credit quality description can be summarised as follows:

**Good** – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the 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 asset that is being impaired.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses (“ECL”) is recognised.

The Group 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL - not credit impaired (Stage 2) RM'000	Lifetime ECL - credit impaired (Stage 3) RM'000	Purchase credit impaired RM'000	Total RM'000
<b>Cash and short-term fund and deposits and placement with banks and other financial institutions</b>					
Sovereign	19,088,808	-	-	-	19,088,808
Investment grade	7,794,474	-	-	-	7,794,474
Non-investment grade	3,260	-	-	-	3,260
No rating	787,548	-	-	-	787,548
<b>Gross carrying amount</b>	<b>27,674,090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,674,090</b>
<b>Total ECL</b>	<b>(1,796)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,796)</b>
<b>Net carrying amount</b>	<b>27,672,294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,672,294</b>
<b>Reverse repurchase agreements, at amortised cost</b>					
Investment grade	3,056,807	-	-	-	3,056,807
Non-investment grade	249,218	-	-	-	249,218
No rating	7,296,100	-	-	-	7,296,100
<b>Gross carrying amount</b>	<b>10,602,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,602,125</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>10,602,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,602,125</b>
<b>Debt instruments at FVOCI</b>					
Sovereign	9,067,616	-	-	-	9,067,616
Investment grade	10,340,717	-	-	-	10,340,717
Non-investment grade	6,848,962	20,271	-	-	6,869,233
Impaired	-	-	30,306	-	30,306
No rating	122,511	-	-	-	122,511
<b>Gross carrying amount</b>	<b>26,379,806</b>	<b>20,271</b>	<b>30,306</b>	<b>-</b>	<b>26,430,383</b>
<b>Total ECL ^^</b>	<b>(17,882)</b>	<b>(1,924)</b>	<b>(30,306)</b>	<b>-</b>	<b>(50,112)</b>
<b>Debt instruments at amortised cost</b>					
Sovereign	25,238,992	-	-	-	25,238,992
Investment grade	7,144,374	-	-	-	7,144,374
Non-investment grade	1,439,361	1,484,717	-	-	2,924,078
Impaired	-	-	7,184	-	7,184
No rating	583,832	-	-	-	583,832
<b>Gross carrying amount</b>	<b>34,406,559</b>	<b>1,484,717</b>	<b>7,184</b>	<b>-</b>	<b>35,898,460</b>
<b>Total ECL</b>	<b>(6,658)</b>	<b>(100,148)</b>	<b>(7,184)</b>	<b>-</b>	<b>(113,990)</b>
<b>Net carrying amount</b>	<b>34,399,901</b>	<b>1,384,569</b>	<b>-</b>	<b>-</b>	<b>35,784,470</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses (“ECL”) is recognised. (Continued)

The Group 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL - not credit impaired (Stage 2) RM'000	Lifetime ECL - credit impaired (Stage 3) RM'000	Purchase credit impaired RM'000	Total RM'000
<b>Loans, advances and financing at amortised cost (i)</b>					
Good	186,093,642	3,756,045	-	-	189,849,687
Satisfactory	34,039,137	8,404,777	-	-	42,443,914
Impaired	-	-	6,309,599	7,553	6,317,152
No rating	48,334,398	1,783,064	-	-	50,117,462
<b>Gross carrying amount</b>	<b>268,467,177</b>	<b>13,943,886</b>	<b>6,309,599</b>	<b>7,553</b>	<b>288,728,215</b>
<b>Total ECL</b>	<b>(1,216,093)</b>	<b>(659,780)</b>	<b>(3,183,980)</b>	<b>(2,552)</b>	<b>(5,062,405)</b>
<b>Net carrying amount</b>	<b>267,251,084</b>	<b>13,284,106</b>	<b>3,125,619</b>	<b>5,001</b>	<b>283,665,810</b>
<b>Other assets</b>					
Investment grade	2,397,005	-	-	-	2,397,005
Non-investment grade	993,148	-	-	-	993,148
No rating	1,912,952	-	-	-	1,912,952
<b>Gross carrying amount</b>	<b>5,303,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,303,105</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>5,303,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,303,105</b>
<b>Intercompany balances</b>					
Investment grade	12,514	-	-	-	12,514
No rating	1,067,609	-	-	-	1,067,609
<b>Gross carrying amount</b>	<b>1,080,123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,080,123</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>1,080,123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,080,123</b>
<b>Loan commitments and financial guarantee contracts</b>					
Good	37,221,248	321,392	-	-	37,542,640
Satisfactory	4,848,535	254,737	-	-	5,103,272
Impaired	-	-	167,012	-	167,012
No rating	28,201,697	549,775	-	-	28,751,472
<b>Gross exposure</b>	<b>70,271,480</b>	<b>1,125,904</b>	<b>167,012</b>	<b>-</b>	<b>71,564,396</b>
<b>Total ECL</b>	<b>(304,736)</b>	<b>(57,189)</b>	<b>(104,142)</b>	<b>-</b>	<b>(466,067)</b>
<b>Net exposure</b>	<b>69,966,744</b>	<b>1,068,715</b>	<b>62,870</b>	<b>-</b>	<b>71,098,329</b>

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The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses (“ECL”) is recognised. (Continued)

The Bank 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL - not credit impaired (Stage 2) RM'000	Lifetime ECL - credit impaired (Stage 3) RM'000	Purchase credit impaired RM'000	Total RM'000
<b>Cash and short-term fund and deposits and placement with banks and other financial institutions</b>					
Sovereign	8,829,774	-	-	-	8,829,774
Investment grade	6,821,520	-	-	-	6,821,520
Non-investment grade	859	-	-	-	859
No rating	9,986,613	-	-	-	9,986,613
<b>Gross carrying amount</b>	<b>25,638,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,638,766</b>
<b>Total ECL</b>	<b>(1,146)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,146)</b>
<b>Net carrying amount</b>	<b>25,637,620</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,637,620</b>
<b>Reverse repurchase agreements, at amortised cost</b>					
Investment grade	3,056,807	-	-	-	3,056,807
Non-investment grade	120,882	-	-	-	120,882
No rating	7,296,100	-	-	-	7,296,100
<b>Gross carrying amount</b>	<b>10,473,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,473,789</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>10,473,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,473,789</b>
<b>Debt instruments at FVOCI</b>					
Sovereign	2,156,976	-	-	-	2,156,976
Investment grade	9,092,212	-	-	-	9,092,212
Non-investment grade	6,002,962	20,271	-	-	6,023,233
Impaired	-	-	30,306	-	30,306
No rating	118,981	-	-	-	118,981
<b>Gross carrying amount</b>	<b>17,371,131</b>	<b>20,271</b>	<b>30,306</b>	<b>-</b>	<b>17,421,708</b>
<b>Total ECL</b>	<b>(15,474)</b>	<b>(1,923)</b>	<b>(30,306)</b>	<b>-</b>	<b>(47,703)</b>
<b>Debt instruments at amortised cost</b>					
Sovereign	16,947,522	-	-	-	16,947,522
Investment grade	6,697,937	-	-	-	6,697,937
Non-investment grade	1,362,403	1,484,717	-	-	2,847,120
No rating	1,390,968	-	-	-	1,390,968
<b>Gross carrying amount</b>	<b>26,398,830</b>	<b>1,484,717</b>	<b>-</b>	<b>-</b>	<b>27,883,547</b>
<b>Total ECL</b>	<b>(9,658)</b>	<b>(100,148)</b>	<b>-</b>	<b>-</b>	<b>(109,806)</b>
<b>Net carrying amount</b>	<b>26,389,172</b>	<b>1,384,569</b>	<b>-</b>	<b>-</b>	<b>27,773,741</b>

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The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses (“ECL”) is recognised. (Continued)

The Bank 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL - not credit impaired (Stage 2) RM'000	Lifetime ECL - credit impaired (Stage 3) RM'000	Purchase credit impaired RM'000	Total RM'000
<b>Loans, advances and financing at amortised cost (i)</b>					
Good	130,719,777	2,899,286	-	-	133,619,063
Satisfactory	17,311,466	5,043,009	-	-	22,354,475
Impaired	-	-	4,134,551	-	4,134,551
No rating	25,118,351	920,772	-	-	26,039,123
<b>Gross carrying amount</b>	<b>173,149,594</b>	<b>8,863,067</b>	<b>4,134,551</b>	<b>-</b>	<b>186,147,212</b>
<b>Total ECL</b>	<b>(759,401)</b>	<b>(443,493)</b>	<b>(2,199,617)</b>	<b>-</b>	<b>(3,402,511)</b>
<b>Net carrying amount</b>	<b>172,390,193</b>	<b>8,419,574</b>	<b>1,934,934</b>	<b>-</b>	<b>182,744,701</b>
<b>Other assets</b>					
Investment grade	1,767,758	-	-	-	1,767,758
Non-investment grade	989,478	-	-	-	989,478
No rating	1,903,022	-	-	-	1,903,022
<b>Gross carrying amount</b>	<b>4,660,258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,660,258</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>4,660,258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,660,258</b>
<b>Intercompany balances</b>					
Investment grade	16,926	-	-	-	16,926
No rating	1,066,704	-	-	-	1,066,704
<b>Gross carrying amount</b>	<b>1,083,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,083,630</b>
<b>Total ECL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>1,083,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,083,630</b>
<b>Loan commitments and financial guarantee contracts</b>					
Good	30,495,612	236,102	-	-	30,731,714
Satisfactory	2,893,070	198,539	-	-	3,091,609
Impaired	-	-	90,472	-	90,472
No rating	22,428,543	483,519	-	-	22,912,062
<b>Gross exposure</b>	<b>55,817,225</b>	<b>918,160</b>	<b>90,472</b>	<b>-</b>	<b>56,825,857</b>
<b>Total ECL</b>	<b>(220,004)</b>	<b>(50,311)</b>	<b>(29,313)</b>	<b>-</b>	<b>(299,628)</b>
<b>Net exposure</b>	<b>55,597,221</b>	<b>867,849</b>	<b>61,159</b>	<b>-</b>	<b>56,526,229</b>

^^ The ECL is recognised in other comprehensive income reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI are equivalent to their fair value.



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2018

Loans, advances and financing at amortised cost

	Overdraft RM'000	Term loans / financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claims on customers under acceptance		Credit card receivables RM'000	Revolving credits RM'000	Share margin financing RM'000	Total gross carrying amount RM'000
					credits RM'000	Staff loans RM'000				
<b>12-month ECL (Stage 1)</b>	<b>4,379,333</b>	<b>216,180,374</b>	<b>6,932,404</b>	<b>1,782,199</b>	<b>3,442,310</b>	<b>1,136,953</b>	<b>6,413,880</b>	<b>27,532,414</b>	<b>667,310</b>	<b>268,467,177</b>
- Good	1,698,139	155,679,347	6,444,476	1,531,763	3,103,032	197	527,949	17,108,739	-	186,093,642
- Satisfactory	425,449	30,902,322	347,952	20,442	334,888	9	358,794	1,580,855	68,426	34,039,137
- No rating	2,255,745	29,598,705	139,976	229,994	4,390	1,136,747	5,527,137	8,842,820	598,884	48,334,398
<b>Lifetime ECL - not credit impaired (Stage 2)</b>	<b>565,889</b>	<b>10,390,432</b>	<b>798,667</b>	<b>75,712</b>	<b>408,666</b>	<b>191</b>	<b>478,535</b>	<b>1,180,068</b>	<b>45,726</b>	<b>13,943,886</b>
- Good	188,939	2,634,917	261,679	52,165	175,867	-	2,373	440,105	-	3,756,045
- Satisfactory	329,260	6,540,122	532,262	23,547	232,799	-	10,739	735,928	120	8,404,777
- No rating	47,690	1,215,393	4,726	-	-	191	465,423	4,035	45,606	1,783,064
<b>Lifetime ECL - credit impaired (Stage 3)</b>	<b>294,269</b>	<b>4,811,858</b>	<b>342,176</b>	<b>124,005</b>	<b>76,590</b>	<b>495</b>	<b>109,852</b>	<b>548,271</b>	<b>2,083</b>	<b>6,309,599</b>
- Impaired	294,269	4,811,858	342,176	124,005	76,590	495	109,852	548,271	2,083	6,309,599
<b>Purchase credit impaired</b>	<b>-</b>	<b>7,553</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,553</b>
- Impaired	-	7,553	-	-	-	-	-	-	-	7,553
<b>Total</b>	<b>5,239,491</b>	<b>231,390,217</b>	<b>8,073,247</b>	<b>1,981,916</b>	<b>3,927,566</b>	<b>1,137,639</b>	<b>7,002,267</b>	<b>29,260,753</b>	<b>715,119</b>	<b>288,728,215</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)****(i) Analysis of credit quality of loans, advances and financing by product (Continued)**The Bank  
2018

Loans, advances and financing at amortised cost

	Overdraft RM'000	Term loans / financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claims on customers under acceptance		Credit card receivables RM'000	Revolving credits RM'000	Share margin financing RM'000	Total gross carrying amount RM'000
					credits RM'000	Staff loans RM'000				
<b>12-month ECL (Stage 1)</b>	<b>2,857,442</b>	<b>134,051,693</b>	<b>4,204,970</b>	<b>940,757</b>	<b>2,459,634</b>	<b>873,302</b>	<b>6,278,000</b>	<b>20,816,494</b>	<b>667,302</b>	<b>173,149,594</b>
- Good	1,040,455	107,364,103	3,998,647	927,277	2,233,143	65	527,949	14,628,138	-	130,719,777
- Satisfactory	302,556	14,785,666	153,715	13,480	223,712	9	358,794	1,405,109	68,425	17,311,466
- No rating	1,514,431	11,901,924	52,608	-	2,779	873,228	5,391,257	4,783,247	598,877	25,118,351
<b>Lifetime ECL - not credit impaired (Stage 2)</b>	<b>311,025</b>	<b>6,504,686</b>	<b>212,006</b>	<b>-</b>	<b>299,428</b>	<b>26</b>	<b>469,113</b>	<b>1,021,057</b>	<b>45,726</b>	<b>8,863,067</b>
- Good	116,742	2,125,818	137,666	-	150,072	-	2,373	366,615	-	2,899,286
- Satisfactory	159,337	3,995,169	74,340	-	149,356	-	10,739	653,948	120	5,043,009
- No rating	34,946	383,699	-	-	-	26	456,001	494	45,606	920,772
<b>Purchase credit impaired</b>	<b>205,237</b>	<b>3,121,373</b>	<b>81,577</b>	<b>22,080</b>	<b>51,984</b>	<b>455</b>	<b>107,058</b>	<b>542,903</b>	<b>1,884</b>	<b>4,134,551</b>
- Impaired	205,237	3,121,373	81,577	22,080	51,984	455	107,058	542,903	1,884	4,134,551
<b>Total</b>	<b>3,373,704</b>	<b>143,677,752</b>	<b>4,498,553</b>	<b>962,837</b>	<b>2,811,046</b>	<b>873,783</b>	<b>6,854,171</b>	<b>22,380,454</b>	<b>714,912</b>	<b>186,147,212</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

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

###### (b) Financial assets using simplified approach

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

The following tables are analysis of the credit risk exposure of other asset using simplified approach:

The Group 2018				Gross		Net
	Sovereign	Investment grade	No rating	carrying amount	ECL	carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other assets	8,860	227,787	680,493	917,140	(10,626)	906,514
	<u>8,860</u>	<u>227,787</u>	<u>680,493</u>	<u>917,140</u>	<u>(10,626)</u>	<u>906,514</u>

The Bank 2018				Gross		Net
	Sovereign	Investment grade	No rating	carrying amount	ECL	carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other assets	8,860	159,011	483,538	651,409	(6,683)	644,726
	<u>8,860</u>	<u>159,011</u>	<u>483,538</u>	<u>651,409</u>	<u>(6,683)</u>	<u>644,726</u>

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.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.5 Credit quality of financial assets – comparative information under MFRS139****(a) Loan, advances and financing**

Loans, advances and financing are summarised as follows:

The Group 2017	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	(i)	(ii)	(iii)	
	RM'000	RM'000	RM'000	
Overdrafts	4,627,846	410,528	272,851	5,311,225
Term loans/financing	196,824,699	12,792,181	4,910,072	214,526,952
Bills receivable	9,028,116	14,757	513,320	9,556,193
Trust receipts	1,665,781	16,608	81,737	1,764,126
Claim on customers under acceptance credit	3,680,689	21,377	86,042	3,788,108
Credit card receivables	6,655,337	356,051	120,315	7,131,703
Revolving credit	22,738,031	119,098	202,931	23,060,060
Share margin financing	887,905	-	831	888,736
<b>Total</b>	<b>246,108,404</b>	<b>13,730,600</b>	<b>6,188,099</b>	<b>266,027,103</b>
Less: Impairment allowances				(4,238,394) *
<b>Total net amount</b>				<b>261,788,709</b>

The Bank 2017	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	(i)	(ii)	(iii)	
	RM'000	RM'000	RM'000	
Overdrafts	2,964,520	372,759	180,411	3,517,690
Term loans/financing	128,912,945	8,168,251	3,283,405	140,364,601
Bills receivable	5,471,516	7,156	60,379	5,539,051
Trust receipts	804,658	12,636	14,701	831,995
Claim on customers under acceptance credit	2,837,665	15,857	79,104	2,932,626
Credit card receivables	6,497,034	337,248	114,251	6,948,533
Revolving credit	18,188,396	109,170	197,653	18,495,219
Share margin financing	884,345	-	654	884,999
<b>Total</b>	<b>166,561,079</b>	<b>9,023,077</b>	<b>3,930,558</b>	<b>179,514,714</b>
Less: Impairment allowances				(2,617,678) *
<b>Total net amount</b>				<b>176,897,036</b>

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.5 Credit quality of financial assets – comparative information under MFRS139  
(Continued)****(a) Loan, advances and financing (Continued)****(i) Loans, advances and financing that are “neither past due nor impaired”**

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

<b>The Group</b>				
<b>2017</b>	<b>Good</b>	<b>Satisfactory</b>	<b>No rating</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	2,208,057	180,985	2,238,804	4,627,846
Term loans/financing	38,784,825	959,175	157,080,699	196,824,699
Bills receivable	7,673,720	118,841	1,235,555	9,028,116
Trust receipts	1,296,296	65,350	304,135	1,665,781
Claim on customers under acceptance credit	2,041,094	35,842	1,603,753	3,680,689
Credit card receivables	-	-	6,655,337	6,655,337
Revolving credit	13,457,751	145,186	9,135,094	22,738,031
Share margin financing	-	-	887,905	887,905
<b>Total</b>	<b>65,461,743</b>	<b>1,505,379</b>	<b>179,141,282</b>	<b>246,108,404</b>

<b>The Bank</b>				
<b>2017</b>	<b>Good</b>	<b>Satisfactory</b>	<b>No rating</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	1,327,081	87,404	1,550,035	2,964,520
Term loans/financing	29,079,154	387,270	99,446,521	128,912,945
Bills receivable	4,394,910	36,769	1,039,837	5,471,516
Trust receipts	738,694	48,535	17,429	804,658
Claim on customers under acceptance credit	1,667,103	34,960	1,135,602	2,837,665
Credit card receivables	-	-	6,497,034	6,497,034
Revolving credit	12,575,252	145,186	5,467,958	18,188,396
Share margin financing	-	-	884,345	884,345
<b>Total</b>	<b>49,782,194</b>	<b>740,124</b>	<b>116,038,761</b>	<b>166,561,079</b>

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.1 Credit risk (Continued)**

##### **57.1.5 Credit quality of financial assets – comparative information under MFRS139 Continued)**

###### **(a) Loan, advances and financing (Continued)**

###### **(i) Loans, advances and financing that are “neither past due nor impaired” (Continued)**

Credit quality descriptions can be summarised as follows:

**Good** – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Bank.

**Satisfactory** – There is concern over the counterparty’s ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

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

###### **(ii) Loans, advances and financing that are “past due but not impaired”**

The Group considers an asset as past due when any payment due under strict contractual terms is received late or missed. However, loans, advances and financing which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.5 Credit quality of financial assets – comparative information under MFRS139  
(Continued)****(a) Loans, advances and financing (Continued)****(ii) Loans, advances and financing that are “past due but not impaired” (Continued)**

An age analysis of loans, advances and financing that are “past due but not impaired” are set out as below:

<b>The Group 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 to 3 months RM'000</b>	<b>Total RM'000</b>
Overdrafts	367,908	42,620	410,528
Term loans/financing	9,781,866	3,010,315	12,792,181
Bills receivable	12,573	2,184	14,757
Trust receipts	6,453	10,155	16,608
Claim on customers under acceptance credit	12,149	9,228	21,377
Credit card receivables	287,740	68,311	356,051
Revolving credit	109,170	9,928	119,098
<b>Total</b>	<b>10,577,859</b>	<b>3,152,741</b>	<b>13,730,600</b>

<b>The Bank 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 to 3 months RM'000</b>	<b>Total RM'000</b>
Overdrafts	331,319	41,440	372,759
Term loans/financing	6,157,876	2,010,375	8,168,251
Bills receivable	6,581	575	7,156
Trust receipts	5,994	6,642	12,636
Claim on customers under acceptance credit	6,629	9,228	15,857
Credit card receivables	281,305	55,943	337,248
Revolving credit	109,170	-	109,170
<b>Total</b>	<b>6,898,874</b>	<b>2,124,203</b>	<b>9,023,077</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.1 Credit risk (Continued)

#### 57.1.5 Credit quality of financial assets – comparative information under MFRS139 (Continued)

##### (a) Loan, advances and financing (Continued)

##### (iii) Impaired loans, advances and financing

	The Group 2017 RM'000	The Bank 2017 RM'000
Total gross impaired loans	6,188,099	3,930,558
Less: Impairment allowances	<u>(3,134,789)</u>	<u>(2,071,792)</u>
<b>Total net impaired loans</b>	<b><u>3,053,310</u></b>	<b><u>1,858,766</u></b>

Refer to Note 11(viii), 11(ix) and 11(x) for analysis of impaired loans, advances and financing by economic purpose, geographical distribution and economic sector.



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for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.5 Credit quality of financial assets – comparative information under MFRS139  
(Continued)****(b) Financial assets held for trading and financial investments**

Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

The Group 2017	Neither past due nor impaired		
	(i)	Impaired	Total
	RM'000	RM'000	RM'000
Financial assets held for trading	18,916,037	-	18,916,037
Financial investments available-for-sale	23,262,229	77,714	23,339,943
Financial investments held-to-maturity	34,323,102	7,180	34,330,282
<b>Total</b>	<b>76,501,368</b>	<b>84,894</b>	<b>76,586,262</b>
Less: Impairment allowance			(84,894) *
<b>Total net amount</b>			<b>76,501,368</b>

The Bank 2017	Neither past due nor impaired		
	(i)	Impaired	Total
	RM'000	RM'000	RM'000
Financial assets held for trading	14,498,387	-	14,498,387
Financial investments available-for-sale	18,741,341	77,714	18,819,055
Financial investments held-to-maturity	28,698,561	-	28,698,561
<b>Total</b>	<b>61,938,289</b>	<b>77,714</b>	<b>62,016,003</b>
Less: Impairment allowance			(77,714) *
<b>Total net amount</b>			<b>61,938,289</b>

\* Impairment allowance represents allowance made against financial assets that have been impaired.

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are “past due but not impaired” as at 31 December 2017 for the Group and the Bank.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.5 Credit quality of financial assets – comparative information under MFRS139  
(Continued)****(b) Financial assets held for trading and financial investments (Continued)****(i) Financial assets held for trading and financial investments that are “neither past due nor impaired”**

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

The Group 2017	Investment grade		Non investment grade		Total
	Sovereign (AAA to BBB-) RM'000	(BB+ and below) RM'000	(BB+ and below) RM'000	No rating RM'000	
Financial assets held for trading	7,639,706	10,505,521	20,737	750,073	18,916,037
Financial investments available-for-sale	4,001,557	16,707,225	54,120	2,499,327	23,262,229
Financial investments held-to-maturity	25,351,026	5,405,835	153,720	3,412,521	34,323,102
<b>Total</b>	<b>36,992,289</b>	<b>32,618,581</b>	<b>228,577</b>	<b>6,661,921</b>	<b>76,501,368</b>

The Bank 2017	Investment grade		Non investment grade		Total
	Sovereign (AAA to BBB-) RM'000	(BB+ and below) RM'000	(BB+ and below) RM'000	No rating RM'000	
Financial assets held for trading	6,198,781	7,528,796	20,737	750,073	14,498,387
Financial investments available-for-sale	3,206,480	13,058,464	54,120	2,422,277	18,741,341
Financial investments held-to-maturity	21,107,233	3,722,190	153,720	3,715,418	28,698,561
<b>Total</b>	<b>30,512,494</b>	<b>24,309,450</b>	<b>228,577</b>	<b>6,887,768</b>	<b>61,938,289</b>

The securities with no ratings mainly consist of corporate bond and Sukuk.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.5 Credit quality of financial assets – comparative information under MFRS139  
(Continued)****(c) Credit risk of other financial assets**

Other financial assets are summarised as follows:

The Group 2017	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	(i)	(ii)		
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	30,667,757	-	-	30,667,757
Reverse repurchase agreements	6,484,687	-	-	6,484,687
Deposits and placements with banks and other financial institutions	1,194,205	-	-	1,194,205
Other assets	8,967,137	4,349	17,908	8,989,394
Derivative financial instruments	8,370,447	-	-	8,370,447
Amount due from holding company and ultimate holding company	3,227	-	-	3,227
Amount due from related companies	1,107,017	-	-	1,107,017
<b>Total</b>	<b>56,794,477</b>	<b>4,349</b>	<b>17,908</b>	<b>56,816,734</b>
Less: Impairment allowances				(12,835) *
<b>Total net amount</b>				<b>56,803,899</b>

The Bank 2017	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	(i)	(ii)		
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	17,288,857	-	-	17,288,857
Reverse repurchase agreements	5,000,601	-	-	5,000,601
Deposits and placements with banks and other financial institutions	9,227,427	-	-	9,227,427
Other assets	8,040,284	4,349	14,895	8,059,528
Derivative financial instruments	6,062,542	-	-	6,062,542
Amount due from holding company and ultimate holding company	3,227	-	-	3,227
Amount due from subsidiaries	63,827	-	-	63,827
Amount due from related companies	1,105,782	-	-	1,105,782
	<b>46,792,547</b>	<b>4,349</b>	<b>14,895</b>	<b>46,811,791</b>
Less: Impairment allowances				(9,464) *
<b>Total net amount</b>				<b>46,802,327</b>

\* Impairment allowance represents allowance made against financial assets that have been impaired.

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**Notes to the Financial Statements  
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(Continued)****(c) Credit risk of other financial assets (Continued)****(i) Other financial assets that are “neither past due nor impaired”**

An analysis of the credit quality of the Group’s and the Bank’s other credit risk financial assets that are “neither past due nor impaired” are set out below:

The Group 2017	Non investment grade					Total RM'000
	Sovereign	Investment grade	(BB+ and below)	No rating		
	RM'000	(AAA to BBB-) RM'000	RM'000	RM'000	RM'000	
Cash and short term funds	22,432,429	6,940,509	3,228	1,291,591	30,667,757	
Reverse repurchase agreements	-	5,427,055	569	1,057,063	6,484,687	
Deposits and placements with banks and other financial institutions	-	996,763	-	197,442	1,194,205	
Other assets	174,583	4,040,037	1,169,357	3,583,160	8,967,137	
Derivative financial instruments	225,232	5,306,267	1,699,788	1,139,160	8,370,447	
Amount due from holding company and ultimate holding company	-	3,227	-	-	3,227	
Amount due from related companies	-	17,824	-	1,089,193	1,107,017	
<b>Total</b>	<b>22,832,244</b>	<b>22,731,682</b>	<b>2,872,942</b>	<b>8,357,609</b>	<b>56,794,477</b>	

The Bank 2017	Non investment grade					Total RM'000
	Sovereign	Investment grade	(BB+ and below)	No rating		
	RM'000	(AAA to BBB-) RM'000	RM'000	RM'000	RM'000	
Cash and short term funds	10,255,415	6,813,284	978	219,180	17,288,857	
Reverse repurchase agreements	-	3,942,969	569	1,057,063	5,000,601	
Deposits and placements with banks and other financial institutions	-	9,227,427	-	-	9,227,427	
Other assets	69,864	3,514,155	1,169,357	3,286,908	8,040,284	
Derivative financial instruments	228	3,607,094	1,385,833	1,069,387	6,062,542	
Amount due from holding company and ultimate holding company	-	3,227	-	-	3,227	
Amount due from subsidiaries	-	37,202	-	26,625	63,827	
Amount due from related companies	-	17,803	-	1,087,979	1,105,782	
<b>Total</b>	<b>10,325,507</b>	<b>27,163,161</b>	<b>2,556,737</b>	<b>6,747,142</b>	<b>46,792,547</b>	

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.1 Credit risk (Continued)****57.1.5 Credit quality of financial assets – comparative information under MFRS139  
(Continued)****(c) Credit risk of other financial assets (Continued)****(ii) Other financial assets that are “past due but not impaired”**

An age analysis of other financial assets that are “past due but not impaired” are set out as below:

The Group 2017	Up to 1	> 1 to 3	Total
	month	months	
	RM'000	RM'000	RM'000
Other assets	2,701	1,648	4,349
<b>Total</b>	<b>2,701</b>	<b>1,648</b>	<b>4,349</b>

The Bank 2017	Up to 1	> 1 to 3	Total
	month	months	
	RM'000	RM'000	RM'000
Other assets	2,701	1,648	4,349
<b>Total</b>	<b>2,701</b>	<b>1,648</b>	<b>4,349</b>

**57.1.6 Repossessed collateral**

The Group obtained assets by taking possession of collateral held as security as follows:

Nature of assets	The Group Carrying amount	
	2018	2017
	RM'000	RM'000
Industrial and residential properties, development land and motor vehicles	<b>108,874</b>	105,549

Reposessed collaterals are sold as soon as practicable. The Group does not utilise the reposessed collaterals for its business use.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.2 Market risk**

Market risk is defined as any fluctuation in the value of a trading or investment exposure resulting from movements in market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

#### **Market Risk Management (MRM)**

The Group adopts various measures as part of risk management process. The GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. The Group hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

Market Risk CoE is responsible for measuring and controlling our Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried 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 and the Bank's trading exposures as at 31 December 2018 is shown in table 57.2.1.

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 limit usage, assessing limit adequacy and verifying transaction prices.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 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).

**57.2.1 VaR**

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures are set out below:

	<b>The Group</b>		<b>The Bank *</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Foreign exchange risk	<b>4,944</b>	5,507	<b>4,065</b>	4,274
Interest rate risk	<b>11,650</b>	14,340	<b>8,116</b>	11,921
Equity risk	<b>2,915</b>	2,652	<b>2,915</b>	2,652
Commodity risk	<b>4,858</b>	1,555	<b>4,858</b>	1,555
<b>Total</b>	<b>24,367</b>	24,054	<b>19,954</b>	20,402
<b>Total shareholder's fund</b>	<b>40,627,472</b>	37,618,680	<b>33,396,141</b>	31,474,900
<b>Percentage over shareholder's funds</b>	<b>0.06%</b>	0.06%	<b>0.06%</b>	0.06%

\* Includes the operations of CIMB Bank (L) Limited.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.2 Interest rate risk**

Interest rate risk relates to the potential adverse impact on the net interest income arising from the changes in market rates. One of the primary sources of interest rate risk is the repricing mismatches between interest earning assets and interest bearing liabilities. Interest rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk (EaR).

- (a) The tables 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 2018	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	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>Financial assets</b>									
Cash and short-term funds	23,559,426	-	-	-	-	-	5,033,985	-	28,593,411
Reverse repurchase agreements	7,304,943	2,302,432	657,616	25,824	275,312	-	38,394	497,738	11,102,259
Deposits and placements with banks and other financial institutions	304,376	1,816,819	225,919	448	-	-	6,732	-	2,354,294
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,456,419	27,439,568	28,895,987
Debt instruments at fair value through other comprehensive income	545,738	1,123,791	1,034,164	1,874,226	10,636,862	10,992,941	192,356	-	26,400,078
Equity instruments at fair value through other comprehensive income	-	-	-	100,445	75,244	-	368,005	-	543,694
Debt instruments at amortised cost	2,014,784	2,001,746	1,304,814	1,975,900	15,385,521	12,828,327	273,378	-	35,784,470
Derivative financial instruments	1,078	4,233	5,639	21,848	43,663	35,189	-	8,219,209	8,330,859
Loans, advances and financing	232,671,364	13,774,034	2,858,643	3,842,024	16,952,596	14,370,830	-	-	284,469,491
Other assets	2,264,671	425,746	9,333	72,779	536,557	44,372	2,856,161	-	6,209,619
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	2,361	-	2,361
Amount due from related companies	-	-	-	-	-	-	1,077,762	-	1,077,762
<b>Total financial assets</b>	<b>268,666,380</b>	<b>21,448,801</b>	<b>6,096,128</b>	<b>7,913,494</b>	<b>43,905,755</b>	<b>38,271,659</b>	<b>11,305,553</b>	<b>36,156,515</b>	<b>433,764,285</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.2 Interest rate risk (Continued)**

- (a) The tables 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 2018	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	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>Financial liabilities</b>									
Deposits from customers	140,283,095	56,890,738	49,125,283	38,406,162	1,626,332	21,629	32,889,650	-	319,242,889
Investment accounts of customers	700,807	881,007	169,474	1,031	-	-	16,951	-	1,769,270
Deposits and placements of banks and other financial institutions	9,387,740	8,056,383	931,609	506,979	100,404	-	324,741	-	19,307,856
Repurchase agreements	7,849,897	2,453,922	209,995	25,824	275,312	-	36,892	-	10,851,842
Financial liabilities designated at fair value through profit or loss	169,272	1,768,100	2,228,992	100	1,485,862	10,000	19,223	199,158	5,880,707
Derivative financial instruments	9,614	4,355	2,513	248,347	144,416	244,077	-	7,564,789	8,218,111
Bills and acceptances payable	493,547	341,826	333,596	-	20,270	1,948	53,757	-	1,244,944
Amount due to related companies	-	-	-	-	-	-	2,460	-	2,460
Other liabilities	2,526,924	1,858,640	129,899	283,566	433,699	75,373	2,863,352	-	8,171,453
Recourse obligation on loans and financing sold to Cagamas	2,736,804	1,854,085	-	-	870,573	489,247	56,738	-	6,007,447
Bonds, sukuk and debentures	365,577	2,592,196	306,486	1,018,501	4,882,773	2,742,457	285,540	-	12,193,530
Other borrowings	1,241,250	3,982,254	-	-	-	-	34,987	-	5,258,491
Subordinated obligations	-	-	-	300,000	8,935,292	1,945,711	117,373	-	11,298,376
<b>Total financial liabilities</b>	<b>165,764,527</b>	<b>80,683,506</b>	<b>53,437,847</b>	<b>40,790,510</b>	<b>18,774,933</b>	<b>5,530,442</b>	<b>36,701,664</b>	<b>7,763,947</b>	<b>409,447,376</b>
<b>Net interest sensitivity gap</b>	<b>102,901,853</b>	<b>(59,234,705)</b>	<b>(47,341,719)</b>	<b>(32,877,016)</b>	<b>25,130,822</b>	<b>32,741,217</b>		<b>28,392,568</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	3,698,125	-	3,698,125
Credit related commitments and contingencies	-	-	-	-	-	-	67,400,204	-	67,400,204
Treasury related commitments and contingencies (hedging)	-	-	75,903	4,692,883	19,511,961	11,525,503	-	-	35,806,250
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>75,903</b>	<b>4,692,883</b>	<b>19,511,961</b>	<b>11,525,503</b>	<b>71,098,329</b>	<b>-</b>	<b>106,904,579</b>

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for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.2 Interest rate risk (Continued)**

- (a) The tables 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 2017	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	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>Financial assets</b>									
Cash and short-term funds	28,002,329	-	-	-	-	-	5,339,190	-	33,341,519
Reverse repurchase agreements	4,940,107	1,245,097	131,095	141,756	9,163	-	17,469	-	6,484,687
Deposits and placements with banks and other financial institutions	8,300	1,027,222	154,462	393	-	-	3,828	-	1,194,205
Financial assets held for trading	-	-	-	-	-	-	-	20,410,054	20,410,054
Financial investments available-for-sale	127,903	723,627	471,430	1,098,204	9,214,562	11,449,604	1,518,946	-	24,604,276
Financial investments held-to-maturity	2,474,888	1,701,622	856,428	2,475,114	14,942,144	11,549,262	323,644	-	34,323,102
Derivative financial instruments	24,083	67,241	51,343	6,320	47,040	44,094	-	8,130,326	8,370,447
Loans, advances and financing	211,555,664	11,012,288	4,146,321	7,574,109	18,149,933	9,349,858	536	-	261,788,709
Other assets	2,642,232	376,670	17,763	489,921	646,967	2,818	4,800,188	-	8,976,559
Amount due from holding company and related companies	-	-	-	-	-	-	3,227	-	3,227
Amount due from related companies	-	-	-	-	-	-	1,107,017	-	1,107,017
<b>Total financial assets</b>	<b>249,775,506</b>	<b>16,153,767</b>	<b>5,828,842</b>	<b>11,785,817</b>	<b>43,009,809</b>	<b>32,395,636</b>	<b>13,114,045</b>	<b>28,540,380</b>	<b>400,603,802</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.2 Interest rate risk (Continued)**

- (a) The tables 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 2017	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	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>Financial liabilities</b>									
Deposits from customers	144,931,707	53,975,489	41,859,923	22,295,796	709,847	26,511	32,100,848	-	295,900,121
Investment accounts of customers	289,484	522,310	92,529	-	-	-	3,440	-	907,763
Deposits and placements of banks and other financial institutions	8,392,252	5,317,911	1,453,076	1,213,042	125,080	-	600,588	-	17,101,949
Repurchase agreements	75,273	1,941,228	780,129	139,702	362,304	-	19,881	-	3,318,517
Financial liabilities designated at fair value	125,079	908,122	1,806,814	218,915	1,503,330	151,000	14,886	45,294	4,773,440
Derivative financial instruments	4,387	6,216	9,062	14,990	336,661	166,268	-	8,190,853	8,728,437
Bills and acceptances payable	1,075,049	78,908	27,087	24,867	3,098	680,115	36,965	-	1,926,089
Amount due to related companies	-	-	-	-	-	-	13,267	-	13,267
Other liabilities	2,974,161	1,542,218	101,642	38,746	378,027	25,000	6,440,237	-	11,500,031
Recourse obligation on loans and financing sold to Cagamas	350,003	940,018	-	-	3,377,860	484,282	43,085	-	5,195,248
Bonds, sukuk and debentures	98,662	2,691,652	573,393	155,478	6,710,170	2,811,691	222,339	-	13,263,385
Other borrowings	1,824,525	3,253,648	-	-	-	-	22,511	-	5,100,684
Subordinated obligations	-	-	-	2,048,743	7,538,938	641,278	132,359	-	10,361,318
<b>Total financial liabilities</b>	<b>160,140,582</b>	<b>71,177,720</b>	<b>46,703,655</b>	<b>26,150,279</b>	<b>21,045,315</b>	<b>4,986,145</b>	<b>39,650,406</b>	<b>8,236,147</b>	<b>378,090,249</b>
<b>Net interest sensitivity gap</b>	<b>89,634,924</b>	<b>(55,023,953)</b>	<b>(40,874,813)</b>	<b>(14,364,462)</b>	<b>21,964,494</b>	<b>27,409,491</b>		<b>20,304,233</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	6,034,079	-	6,034,079
Credit related commitments and contingencies	-	-	-	-	-	-	82,362,260	-	82,362,260
Treasury related commitments and contingencies (hedging)	88,708	-	740,851	5,301,048	18,513,737	9,108,069	-	-	33,752,413
<b>Net interest sensitivity gap</b>	<b>88,708</b>	<b>-</b>	<b>740,851</b>	<b>5,301,048</b>	<b>18,513,737</b>	<b>9,108,069</b>	<b>88,396,339</b>	<b>-</b>	<b>122,148,752</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.2 Interest rate risk (Continued)**

(b) The tables 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 2018	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	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>Financial assets</b>									
Cash and short-term funds	13,445,504	-	-	-	-	-	3,982,517	-	17,428,021
Reverse repurchase agreements	7,292,200	2,302,432	542,933	25,824	275,312	-	37,484	497,738	10,973,923
Deposits and placements with banks and other financial institutions	6,103,563	4,295,636	517,236	-	-	-	21,985	-	10,938,420
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,456,419	21,558,081	23,014,500
Debt instruments at fair value through other comprehensive income	545,738	961,473	236,460	1,034,617	6,088,457	8,364,255	160,402	-	17,391,402
Equity instruments at fair value through other comprehensive income	-	-	-	100,445	75,244	-	355,910	-	531,599
Debt instruments at amortised cost	1,969,889	1,664,158	1,153,836	1,740,569	11,661,834	9,321,872	261,583	-	27,773,741
Derivative financial instruments	1,078	4,233	5,639	21,848	79,599	32,451	-	5,445,061	5,589,909
Loans, advances and financing	159,976,125	8,516,781	1,150,249	879,819	4,508,118	8,025,724	-	-	183,056,816
Other assets	2,413,786	421,032	30	54,453	502,249	-	1,913,434	-	5,304,984
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	2,361	-	2,361
Amount due from subsidiaries	-	-	-	-	-	-	5,051	-	5,051
Amount due from related companies	-	-	-	-	-	-	1,076,218	-	1,076,218
<b>Total financial assets</b>	<b>191,747,883</b>	<b>18,165,745</b>	<b>3,606,383</b>	<b>3,857,575</b>	<b>23,190,813</b>	<b>25,744,302</b>	<b>9,273,364</b>	<b>27,500,880</b>	<b>303,086,945</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.2 Market risk (Continued)

##### 57.2.2 Interest rate risk (Continued)

(b) The tables 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 2018	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	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>Financial liabilities</b>									
Deposits from customers	91,879,522	35,433,594	30,930,204	26,421,008	311,781	21,564	32,575,039	-	217,572,712
Deposits and placements of banks and other financial institutions	8,631,219	7,783,152	676,070	365,475	100,404	-	219,971	-	17,776,291
Repurchase agreements	3,708,574	2,453,922	209,995	25,824	275,312	-	35,560	-	6,709,187
Financial liabilities designated at fair value through profit or loss	75	272	-	100	1,462,739	10,000	6,411	(146,027)	1,333,570
Derivative financial instruments	9,614	4,355	2,513	109,397	72,875	227,972	-	4,902,980	5,329,706
Bills and acceptances payable	420,331	32,934	26,133	-	-	-	-	-	479,398
Amount due to subsidiaries	-	-	-	-	-	-	93,917	-	93,917
Amount due to related company	-	-	-	-	-	-	1,177	-	1,177
Other liabilities	2,714,315	1,854,913	129,311	283,566	420,329	4,405	2,081,239	-	7,488,078
Recourse obligation on loans and financing sold to Cagamas	1,736,800	1,454,078	-	-	370,570	489,247	41,249	-	4,091,944
Bonds	-	2,544,563	231,401	1,018,501	4,627,922	1,986,384	284,556	-	10,693,327
Other borrowing	1,241,250	3,982,254	-	-	-	301,285	35,311	-	5,560,100
Subordinated obligations	-	-	-	-	9,117,105	1,200,000	81,979	-	10,399,084
<b>Total financial liabilities</b>	<b>110,341,700</b>	<b>55,544,037</b>	<b>32,205,627</b>	<b>28,223,871</b>	<b>16,759,037</b>	<b>4,240,857</b>	<b>35,456,409</b>	<b>4,756,953</b>	<b>287,528,491</b>
<b>Net interest sensitivity gap</b>	<b>81,406,183</b>	<b>(37,378,292)</b>	<b>(28,599,244)</b>	<b>(24,366,296)</b>	<b>6,431,776</b>	<b>21,503,445</b>		<b>22,743,927</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	2,727,646	-	2,727,646
Credit related commitments and contingencies	-	-	-	-	-	-	53,798,583	-	53,798,583
Treasury related commitments and contingencies (hedging)	-	-	75,903	3,317,883	20,568,733	11,136,834	-	-	35,099,353
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>75,903</b>	<b>3,317,883</b>	<b>20,568,733</b>	<b>11,136,834</b>	<b>56,526,229</b>	<b>-</b>	<b>91,625,582</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.2 Interest rate risk (Continued)**

- (b) The tables below summarise the Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity date: (Continued)

The Bank 2017	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	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>Financial assets</b>									
Cash and short-term funds	16,199,072	-	-	-	-	-	3,443,449	-	19,642,521
Reverse repurchase agreements	3,634,565	1,245,097	68,927	26,123	9,163	-	16,726	-	5,000,601
Deposits and placements with banks and other financial institutions	5,881,995	3,190,955	136,201	2,044	-	-	16,232	-	9,227,427
Financial assets held for trading	-	-	-	-	-	-	-	15,992,404	15,992,404
Financial investments available-for-sale	124,374	711,134	437,535	1,052,397	6,427,920	9,850,989	1,450,918	-	20,055,267
Financial investments held-to-maturity	2,474,888	1,670,034	753,914	1,694,287	12,000,647	9,851,808	252,983	-	28,698,561
Derivative financial instruments	24,083	67,241	51,343	6,994	134,504	44,094	-	5,734,283	6,062,542
Loans, advances and financing	154,202,368	7,554,535	2,700,655	4,361,877	4,118,038	3,959,563	-	-	176,897,036
Other assets	2,620,222	280,004	-	440,347	629,160	-	4,080,331	-	8,050,064
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	3,227	-	3,227
Amount due from subsidiaries	-	-	-	-	-	-	63,827	-	63,827
Amount due from related companies	-	-	-	-	-	-	1,105,782	-	1,105,782
<b>Total financial assets</b>	<b>185,161,567</b>	<b>14,719,000</b>	<b>4,148,575</b>	<b>7,584,069</b>	<b>23,319,432</b>	<b>23,706,454</b>	<b>10,433,475</b>	<b>21,726,687</b>	<b>290,799,259</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.2 Interest rate risk (Continued)**

- (b) The tables 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 2017	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	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>Financial liabilities</b>									
Deposits from customers	96,140,519	35,198,961	30,419,148	13,438,313	440,533	26,511	31,778,966	-	207,442,951
Deposits and placements of banks and other financial institutions	7,783,331	5,388,768	1,289,309	1,158,780	124,455	-	419,466	-	16,164,109
Repurchase agreements	75,273	1,941,228	780,129	139,702	362,304	-	19,881	-	3,318,517
Financial liabilities designated at fair value	6,375	4,650	290,439	218,915	1,503,330	151,000	8,618	(282,355)	1,900,972
Derivative financial instruments	4,387	6,216	9,062	15,640	168,466	153,429	-	6,166,409	6,523,609
Bills and acceptances payable	983,715	75,653	27,087	-	-	-	-	-	1,086,455
Amount due to subsidiaries	-	-	-	-	-	-	12,555	-	12,555
Amount due to related company	-	-	-	-	-	-	10,308	-	10,308
Other liabilities	2,958,362	1,536,800	100,903	38,723	361,453	-	5,277,366	-	10,273,607
Recourse obligation on loans and financing sold to Cagamas	350,003	783,018	-	-	1,477,853	484,282	27,792	-	3,122,948
Bonds	85,784	2,554,168	303,787	131,643	5,926,230	1,982,814	220,522	-	11,204,948
Other borrowings	1,824,525	3,253,648	-	-	-	596,688	22,867	-	5,697,728
Subordinated obligations	-	-	-	2,048,743	7,411,950	-	73,198	-	9,533,891
<b>Total financial liabilities</b>	<b>110,212,274</b>	<b>50,743,110</b>	<b>33,219,864</b>	<b>17,190,459</b>	<b>17,776,574</b>	<b>3,394,724</b>	<b>37,871,539</b>	<b>5,884,054</b>	<b>276,292,598</b>
<b>Net interest sensitivity gap</b>	<b>74,949,293</b>	<b>(36,024,110)</b>	<b>(29,071,289)</b>	<b>(9,606,390)</b>	<b>5,542,858</b>	<b>20,311,730</b>		<b>15,842,633</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	5,069,647	-	5,069,647
Credit related commitments and contingencies	-	-	-	-	-	-	68,197,614	-	68,197,614
Treasury related commitments and contingencies (hedging)	88,708	-	715,983	5,601,048	19,026,648	9,108,069	-	-	34,540,456
<b>Net interest sensitivity gap</b>	<b>88,708</b>	<b>-</b>	<b>715,983</b>	<b>5,601,048</b>	<b>19,026,648</b>	<b>9,108,069</b>	<b>73,267,261</b>	<b>-</b>	<b>107,807,717</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.2 Interest rate risk (Continued)****(c) Sensitivity of profit**

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in interest rates:

	The Group			
	2018		2017	
	Increase/(Decrease)		Increase/(Decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	90,254	(90,254)	92,109	(92,109)

	The Bank			
	2018		2017	
	Increase/(Decrease)		Increase/(Decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	186,304	(186,304)	172,763	(172,763)

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

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



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.2 Interest rate risk (Continued)****(d) Sensitivity of reserves**

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in interest rates:

	The Group			
	2018		2017	
	Increase/(Decrease)		Increase/(Decrease)	
	+100 basis point RM'000	-100 basis point RM'000	+100 basis point RM'000	-100 basis point RM'000
Impact to fair value reserve - debt instruments at fair value through other comprehensive income	(1,110,845)	1,110,845	-	-
Impact to fair value reserve - equity instruments at fair value through other comprehensive income	(1,891)	1,891	-	-
Impact to revaluation reserve-financial investments available-for-sale	-	-	(1,106,866)	1,106,866
	<b>The Bank</b>			
	2018		2017	
	Increase/(Decrease)		Increase/(Decrease)	
	+100 basis point RM'000	-100 basis point RM'000	+100 basis point RM'000	-100 basis point RM'000
Impact to fair value reserve - debt instruments at fair value through other comprehensive income	(782,632)	782,632	-	-
Impact to fair value reserve - equity instruments at fair value through other comprehensive income	(1,891)	1,891	-	-
Impact to revaluation reserve-financial investments available-for-sale	-	-	(900,860)	900,860

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserve in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group and the Bank would take to mitigate the impact of this interest rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective interest movements.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.3 Foreign exchange risk**

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

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

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank:

The Group  
2018

	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b>Financial assets</b>														
Cash and short-term funds	21,590,005	18,439	291,511	516,746	3,078,454	46,509	560,590	829,165	303,566	430,062	65,246	863,118	7,003,406	28,593,411
Reverse repurchase agreements	3,716,328	-	128,336	2,307,716	4,228,752	586,898	62,935	34,931	-	23,545	5,676	7,142	7,385,931	11,102,259
Deposits and placements with banks and other financial institutions	1,631,241	-	-	167	229,999	287	-	-	211,414	-	-	281,186	723,053	2,354,294
Financial assets at fair value through profit or loss	15,098,055	-	2,956,558	4,547,000	2,470,646	173,116	-	2,334,599	407,938	134	907,677	264	13,797,932	28,895,987
Debt instruments at fair value through other comprehensive income	15,068,342	-	6,248,599	1,667,639	3,075,322	181,043	-	-	-	-	159,133	-	11,331,736	26,400,078
Equity instruments at fair value through other comprehensive income	433,298	-	11,389	58	98,880	-	-	-	-	69	-	-	110,396	543,694
Debt instruments at amortised cost	28,462,191	-	2,270,072	4,064,089	978,493	-	-	-	-	-	-	9,625	7,322,279	35,784,470
Derivative financial instruments	7,485,811	9,021	55,882,376	12,501,845	(72,675,026)	(1,552,466)	4,814,100	6,121,489	1,388,514	(1,817,878)	(5,537,055)	1,710,128	845,048	8,330,859
Loans, advances and financing	199,338,183	-	26,197,594	27,267,021	23,231,409	269,689	4,313,931	901,985	558,608	499,297	1,606,068	285,706	85,131,308	284,469,491
Other assets	1,933,260	9,892	471,299	97,989	3,486,105	11,021	37,317	14,232	15,670	20,517	87,642	24,675	4,276,359	6,209,619
Amount due from ultimate holding company	2,361	-	-	-	-	-	-	-	-	-	-	-	-	2,361
Amount due from related companies	1,077,762	-	-	-	-	-	-	-	-	-	-	-	-	1,077,762
	295,836,837	37,352	94,457,734	52,970,270	(31,796,966)	(283,903)	9,788,873	10,236,401	2,885,710	(844,254)	(2,705,613)	3,181,844	137,927,448	433,764,285

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.3 Foreign exchange risk (Continued)**

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

The Group  
2018

	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b>Financial liabilities</b>														
Deposits from customers	225,616,279	39	23,318,513	33,244,833	28,492,535	1,601,853	3,050,472	122,577	1,085,010	510,615	1,330,016	870,147	93,626,610	319,242,889
Investment accounts of customers	1,769,270	-	-	-	-	-	-	-	-	-	-	-	-	1,769,270
Deposits and placements of banks and other financial institutions	3,580,792	-	1,379,102	812,605	10,729,711	505,710	244,898	114,442	948,561	6,315	684,783	300,937	15,727,064	19,307,856
Repurchase agreements	3,341,320	-	4,142,655	1,542,067	1,825,800	-	-	-	-	-	-	-	7,510,522	10,851,842
Derivatives financial instruments	17,263,254	28,984	56,240,748	16,367,844	(83,108,466)	(3,595,506)	3,224,153	8,341,166	322,586	(723,126)	(6,477,681)	334,155	(9,045,143)	8,218,111
Bills and acceptances payable	259,431	-	307,445	103,015	534,357	-	3,708	-	36,889	-	-	99	985,513	1,244,944
Amount due to related companies	57	-	1,269	-	-	-	-	-	-	-	1,134	-	2,403	2,460
Other liabilities	4,749,194	9,050	541,557	386,458	2,009,266	113,774	30,133	15,367	75,106	57,658	151,329	32,561	3,422,259	8,171,453
Recourse obligation on loans and financing sold to Cagamas	6,007,447	-	-	-	-	-	-	-	-	-	-	-	-	6,007,447
Other borrowings	-	-	-	-	5,258,491	-	-	-	-	-	-	-	5,258,491	5,258,491
Bonds, Sukuk and debentures	4,112,392	-	385,540	-	5,976,484	294,339	-	-	154,843	-	1,269,932	-	8,081,138	12,193,530
Subordinated obligations	11,298,376	-	-	-	-	-	-	-	-	-	-	-	-	11,298,376
Financial liabilities designated at fair value through profit or loss	1,355,488	-	4,525,219	-	-	-	-	-	-	-	-	-	4,525,219	5,880,707
	279,353,300	38,073	90,842,048	52,456,822	(28,281,822)	(1,079,830)	6,553,364	8,593,552	2,622,995	(148,538)	(3,040,487)	1,537,899	130,094,076	409,447,376
<b>Financial guarantees</b>	1,857,992	252	319,578	657,904	790,162	-	56,314	1,572	511	13,013	87	740	1,840,133	3,698,125
Credit related commitments and contingencies	58,986,496	-	1,697,247	3,108,240	1,619,899	21,356	649,866	84,836	360,898	9,146	861,148	1,072	8,413,708	67,400,204
	60,844,488	252	2,016,825	3,766,144	2,410,061	21,356	706,180	86,408	361,409	22,159	861,235	1,812	10,253,841	71,098,329

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.3 Foreign exchange risk (Continued)**

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

The Group  
2017

	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b>Financial assets</b>														
Cash and short-term funds	23,920,547	56,442	298,354	658,242	5,492,121	266,920	1,047,796	99,923	224,973	141,652	99,103	1,035,446	9,420,972	33,341,519
Reverse repurchase agreements	1,924,008	-	1,484,086	414,470	2,243,899	64,405	80,632	194,283	-	63,182	13,524	2,198	4,560,679	6,484,687
Deposits and placements with banks and other financial institutions	71,095	-	-	235	969,905	245	736	-	93,868	-	-	58,121	1,123,110	1,194,205
Financial assets held for trading	10,270,879	15	1,219,209	4,445,775	2,452,448	432,457	-	692,365	-	232,412	38,920	625,574	10,139,175	20,410,054
Financial investments available-for-sale	15,689,594	-	2,609,598	1,979,227	3,566,994	278,535	336,710	-	-	49,668	93,950	-	8,914,682	24,604,276
Financial investments held-to-maturity	27,900,396	-	1,223,434	4,269,075	930,197	-	-	-	-	-	-	-	6,422,706	34,323,102
Derivative financial instruments	20,055,382	113,303	48,086,858	14,714,807	(84,711,434)	1,390,148	1,040,732	(71,045)	3,871,964	3,931,855	(1,371,401)	1,319,278	(11,684,935)	8,370,447
Loans, advances and financing	181,690,056	-	23,576,774	24,324,846	24,430,296	446,498	4,044,950	983,294	421,233	612,136	1,116,933	141,693	80,098,653	261,788,709
Other assets	4,332,227	22,583	517,795	103,063	3,364,811	11,393	68,902	3,061	79	35,783	124,354	392,508	4,644,332	8,976,559
Amount due from ultimate holding company	3,227	-	-	-	-	-	-	-	-	-	-	-	-	3,227
Amount due from related companies	1,107,017	-	-	-	-	-	-	-	-	-	-	-	-	1,107,017
	286,964,428	192,343	79,016,108	50,909,740	(41,260,763)	2,890,601	6,620,458	1,901,881	4,612,117	5,066,688	115,383	3,574,818	113,639,374	400,603,802

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.3 Foreign exchange risk (Continued)**

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

The Group  
2017

	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b>Financial liabilities</b>														
Deposits from customers	211,917,426	47	21,893,030	30,184,562	24,761,328	1,297,970	2,581,664	279,753	1,104,733	377,920	726,073	775,615	83,982,695	295,900,121
Investment accounts of customers	347,143	-	-	-	560,620	-	-	-	-	-	-	-	560,620	907,763
Deposits and placements of banks and other financial institutions	2,457,155	-	1,590,012	1,397,501	9,219,341	143,997	1,874,137	203	37,702	43,240	312,432	26,229	14,644,794	17,101,949
Repurchase agreements	1,207,356	-	-	432,564	1,678,597	-	-	-	-	-	-	-	2,111,161	3,318,517
Derivatives financial instruments	26,589,556	60,915	48,554,536	19,088,037	(96,607,391)	710,485	1,479,561	1,567,956	3,031,737	4,538,093	(2,428,637)	2,143,589	(17,861,119)	8,728,437
Bills and acceptances payable	790,446	-	405,668	116,481	495,499	-	117,995	-	-	-	-	-	1,135,643	1,926,089
Amount due to related companies	3,597	-	2,213	6,353	-	-	-	-	-	-	1,104	-	9,670	13,267
Other liabilities	8,006,881	22,705	451,991	533,073	1,911,457	77,755	270,776	3,374	2,965	97,438	101,704	19,912	3,493,150	11,500,031
Recourse obligation on loans and financing	5,195,248	-	-	-	-	-	-	-	-	-	-	-	-	5,195,248
Other borrowings	-	-	-	-	5,100,684	-	-	-	-	-	-	-	5,100,684	5,100,684
Bonds, Sukuk and debentures	4,282,087	-	766,947	367,976	5,882,696	325,939	-	-	292,130	-	1,345,610	-	8,981,298	13,263,385
Subordinated obligations	10,361,318	-	-	-	-	-	-	-	-	-	-	-	-	10,361,318
Financial liabilities designated at fair value through profit or loss	1,902,296	-	2,870,235	909	-	-	-	-	-	-	-	-	2,871,144	4,773,440
	273,060,509	83,667	76,534,632	52,127,456	(46,997,169)	2,556,146	6,324,133	1,851,286	4,469,267	5,056,691	58,286	2,965,345	105,029,740	378,090,249
Financial guarantees	2,192,260	-	363,459	623,376	2,734,532	-	75,977	20,243	-	20,918	726	2,588	3,841,819	6,034,079
Credit related commitments and contingencies	69,595,315	-	1,227,188	1,180,491	7,295,687	3,449	1,276,901	108,074	443,104	113,296	1,114,619	4,136	12,766,945	82,362,260
	71,787,575	-	1,590,647	1,803,867	10,030,219	3,449	1,352,878	128,317	443,104	134,214	1,115,345	6,724	16,608,764	88,396,339

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.3 Foreign exchange risk (Continued)**

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

The Bank  
2018

	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
<b>Financial assets</b>														
Cash and short-term funds	12,323,069	16,223	27,111	496,431	1,852,463	39,165	553,007	788,144	315,763	420,788	57,468	538,389	5,104,952	17,428,021
Reverse repurchase agreements	3,716,328	-	-	2,307,716	4,228,752	586,898	62,935	34,931	-	23,545	5,676	7,142	7,257,595	10,973,923
Deposits and placements with banks and other financial institutions	9,779,804	-	-	-	780,951	-	-	-	211,414	-	-	166,251	1,158,616	10,938,420
Financial assets at fair value through profit or loss	12,181,238	-	-	4,547,000	2,462,534	173,116	-	2,334,599	407,938	134	907,677	264	10,833,262	23,014,500
Debt instruments at fair value through other comprehensive income	12,308,265	-	-	1,667,639	3,075,322	181,043	-	-	-	-	159,133	-	5,083,137	17,391,402
Equity instruments at fair value through other comprehensive income	432,661	-	-	58	98,880	-	-	-	-	-	-	-	98,938	531,599
Debt instruments at amortised cost	22,729,691	-	-	4,064,089	979,961	-	-	-	-	-	-	-	5,044,050	27,773,741
Derivative financial instruments	9,053,263	9,021	258,767	9,080,348	(20,643,096)	(1,332,322)	4,825,231	5,796,350	1,388,625	1,607,904	(5,458,719)	1,004,537	(3,463,354)	5,589,909
Loans, advances and financing	129,552,794	-	-	27,267,021	18,209,664	123,820	4,313,389	890,371	558,608	482,240	1,606,068	52,841	53,504,022	183,056,816
Other assets	1,978,667	9,870	-	97,972	3,011,142	11,022	37,317	14,232	15,670	20,493	87,642	20,957	3,326,317	5,304,984
Amount due from holding company and ultimate holding company	2,361	-	-	-	-	-	-	-	-	-	-	-	-	2,361
Amount due from subsidiaries	1,746	-	-	2,411	49	-	-	-	-	-	845	-	3,305	5,051
Amount due from related companies	1,075,725	-	-	493	-	-	-	-	-	-	-	-	493	1,076,218
	215,135,612	35,114	285,878	49,531,178	14,056,622	(217,258)	9,791,879	9,858,627	2,898,018	2,555,104	(2,634,210)	1,790,381	87,951,333	303,086,945

**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.3 Foreign exchange risk (Continued)**

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

**The Bank  
2018**

	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
<b>Financial liabilities</b>														
Deposits from customers	151,641,708	39	6,864	33,223,286	24,380,741	1,596,788	3,048,735	118,299	1,085,010	502,723	1,330,016	638,503	65,931,004	217,572,712
Deposits and placements of banks and other financial institutions	3,321,569	-	4,859	812,605	10,658,481	505,710	558,011	114,403	948,561	5,794	684,783	161,515	14,454,722	17,776,291
Repurchase agreements	3,341,320	-	-	1,542,067	1,825,800	-	-	-	-	-	-	-	3,367,867	6,709,187
Derivatives financial instruments	18,848,754	28,984	260,339	12,946,799	(30,924,685)	(3,497,407)	3,235,294	8,036,751	322,586	1,792,478	(6,401,233)	681,046	(13,519,048)	5,329,706
Bills and acceptances payable	259,430	-	-	103,015	76,379	-	3,685	-	36,889	-	-	-	219,968	479,398
Amount due to subsidiaries	86,775	-	-	6,508	-	-	-	-	-	-	634	-	7,142	93,917
Amount due to related companies	43	-	-	-	-	-	-	-	-	-	1,134	-	1,134	1,177
Other liabilities	4,975,879	9,024	6	385,676	1,652,894	113,591	30,133	15,043	75,106	57,583	151,300	21,843	2,512,199	7,488,078
Recourse obligation on loans and financing sold to Cagamas	4,091,944	-	-	-	-	-	-	-	-	-	-	-	-	4,091,944
Other borrowings	301,609	-	-	-	5,258,491	-	-	-	-	-	-	-	5,258,491	5,560,100
Bonds	2,997,729	-	-	-	5,976,484	294,339	-	-	154,843	-	1,269,932	-	7,695,598	10,693,327
Subordinated notes	10,399,084	-	-	-	-	-	-	-	-	-	-	-	-	10,399,084
Financial liabilities designated at fair value through profit or loss	1,333,570	-	-	-	-	-	-	-	-	-	-	-	-	1,333,570
	201,599,414	38,047	272,068	49,019,956	18,904,585	(986,979)	6,875,858	8,284,496	2,622,995	2,358,578	(2,963,434)	1,502,907	85,929,077	287,528,491
Financial guarantees	1,623,136	252	-	648,702	386,093	-	56,314	1,013	511	11,068	87	470	1,104,510	2,727,646
Credit related commitments and contingencies	47,704,068	-	-	3,108,240	1,008,027	21,356	648,283	81,968	360,898	4,563	861,148	32	6,094,515	53,798,583
	49,327,204	252	-	3,756,942	1,394,120	21,356	704,597	82,981	361,409	15,631	861,235	502	7,199,025	56,526,229

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.3 Foreign exchange risk (Continued)**

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

**The Bank  
2017**

	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
<b>Financial assets</b>														
Cash and short-term funds	12,903,818	54,602	31,168	658,055	3,939,596	234,179	816,411	87,471	224,141	138,259	96,503	458,318	6,738,703	19,642,521
Reverse repurchase agreements	1,924,008	-	-	414,470	2,243,899	64,405	80,632	194,283	-	63,182	13,524	2,198	3,076,593	5,000,601
Deposits and placements with banks and other financial institutions	8,310,847	-	-	-	821,976	-	736	-	93,868	-	-	-	916,580	9,227,427
Financial assets held for trading	7,048,590	15	23,848	4,445,775	2,452,448	432,457	-	692,365	-	232,412	38,920	625,574	8,943,814	15,992,404
Financial investments available-for-sale	13,773,246	-	-	1,978,536	3,544,693	278,535	336,710	-	-	49,597	93,950	-	6,282,021	20,055,267
Financial investments held-to-maturity	23,469,161	-	-	4,269,075	960,325	-	-	-	-	-	-	-	5,229,400	28,698,561
Derivative financial instruments	17,800,309	113,398	184,941	10,949,340	(30,630,313)	918,062	818,828	283,656	3,871,964	2,160,500	(1,368,014)	959,871	(11,737,767)	6,062,542
Loans, advances and financing	124,996,716	-	-	24,324,846	20,101,773	289,368	4,044,950	971,409	421,233	533,183	1,116,933	96,625	51,900,320	176,897,036
Other assets	4,192,169	22,553	656	102,888	3,097,826	11,393	68,902	3,061	79	35,741	124,354	390,442	3,857,895	8,050,064
Amount due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	-	-	-	-	-	-	3,227
Amount due from subsidiaries	38,339	-	15,585	7,421	1,785	-	73	-	-	144	480	-	25,488	63,827
Amount due from related companies	1,105,602	-	-	178	-	-	-	-	-	-	2	-	180	1,105,782
	215,566,032	190,568	256,198	47,150,584	6,534,008	2,228,399	6,167,242	2,232,245	4,611,285	3,213,018	116,652	2,533,028	75,233,227	290,799,259



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.3 Foreign exchange risk (Continued)**

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

**The Bank**

2017

	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	EUR RM'000	HKD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
<b>Financial liabilities</b>														
Deposits from customers	148,590,130	47	9,771	30,169,990	21,777,087	1,296,896	2,580,283	277,496	1,104,733	372,291	726,073	538,154	58,852,821	207,442,951
Deposits and placements of banks and other financial institutions	2,492,185	-	-	1,398,645	10,084,782	143,997	1,648,506	-	37,702	37,762	312,432	8,098	13,671,924	16,164,109
Repurchase agreements	1,207,356	-	-	432,564	1,678,597	-	-	-	-	-	-	-	2,111,161	3,318,517
Derivatives financial instruments	24,582,242	61,015	216,691	15,313,316	(42,140,443)	245,820	1,260,629	1,906,754	3,031,737	2,691,164	(2,425,533)	1,780,217	(18,058,633)	6,523,609
Bills and acceptances payable	790,446	-	-	116,481	61,555	-	117,973	-	-	-	-	-	296,009	1,086,455
Amount due to subsidiaries	449	-	-	9,012	2,614	-	-	-	-	-	480	-	12,106	12,555
Amount due to related companies	2,860	-	-	6,344	-	-	-	-	-	-	1,104	-	7,448	10,308
Other liabilities	7,565,846	22,692	1,434	533,900	1,578,949	77,606	270,776	3,374	2,965	97,425	101,704	16,936	2,707,761	10,273,607
Recourse obligation on loans and financing sold to Cagamas	3,122,948	-	-	-	-	-	-	-	-	-	-	-	-	3,122,948
Other borrowings	597,044	-	-	-	5,100,684	-	-	-	-	-	-	-	5,100,684	5,697,728
Bonds	2,990,597	-	-	367,976	5,882,696	325,939	-	-	292,130	-	1,345,610	-	8,214,351	11,204,948
Subordinated notes	9,533,891	-	-	-	-	-	-	-	-	-	-	-	-	9,533,891
Financial liabilities designated at fair value through profit or loss	1,900,063	-	-	909	-	-	-	-	-	-	-	-	909	1,900,972
	203,376,057	83,754	227,896	48,349,137	4,026,521	2,090,258	5,878,167	2,187,624	4,469,267	3,198,642	61,870	2,343,405	72,916,541	276,292,598
Financial guarantees	1,980,690	-	1,243	623,376	2,359,391	-	75,977	8,586	-	17,260	726	2,398	3,088,957	5,069,647
Credit related commitments and contingencies	57,182,736	-	-	1,180,357	6,837,329	3,449	1,274,982	97,468	440,561	61,977	1,114,619	4,136	11,014,878	68,197,614
	59,163,426	-	1,243	1,803,733	9,196,720	3,449	1,350,959	106,054	440,561	79,237	1,115,345	6,534	14,103,835	73,267,261

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.2 Market risk (Continued)****57.2.3 Foreign exchange risk (Continued)****(b) Sensitivity of profit and reserves**

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

	<b>The Group</b>			
	2018		2017	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(Decrease) RM'000	Increase/(Decrease) RM'000	Increase/(Decrease) RM'000	Increase/(Decrease) RM'000
Impact to profit (after tax)	(1,370)	1,370	4,601	(4,601)
Impact to reserves	(59,548)	59,548	(53,655)	53,655

	<b>The Bank</b>			
	2018		2017	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(Decrease) RM'000	Increase/(Decrease) RM'000	Increase/(Decrease) RM'000	Increase/(Decrease) RM'000
Impact to profit (after tax)	4,410	(4,410)	4,218	(4,218)
Impact to reserves	(59,548)	59,548	(53,655)	53,655

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

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

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.3 Liquidity risk**

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

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

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

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk limits and appetite. The Group Liquidity Risk Management Framework is subjected to regular review; assumptions and limits are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity risk positions are monitored on a daily basis and complied with internal risk limits and regulatory requirements for liquidity risk.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.3 Liquidity risk (Continued)**

The Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an early warning system and a funding crisis management team. The early warning system is designed to alert the Group's management whenever the Group's liquidity position may be at risk. It provides the Group with the analytical framework to detect a likely liquidity problem and to evaluate the Group's funding needs and strategies in advance of a liquidity crisis. The early warning system is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Group.

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio (LCR) which took effect from June 2015 in Malaysia. The purpose of the LCR is to promote short term liquidity risk resilience by ensuring that the Group has sufficient unencumbered high quality liquid assets to meet its liquidity needs for a 30-day combined liquidity crisis scenario. The Group also performs a consolidated stress test, including liquidity stress test, semi-annually to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions.

The LCR and stress test results are submitted to the Country and Group ALCOs, the Group Risk and Compliance Committee, and the Board Risk and Compliance Committees / Board of Directors of the Group. The LCR and stress test results to date have indicated that the Group has sufficient liquidity capacity to meet the liquidity requirements under stated stress test conditions.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.1 Contractual maturity of assets and liabilities**

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

<b>The Group 2018</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>								
Cash and short-term funds	28,593,411	-	-	-	-	-	-	28,593,411
Reverse repurchase agreements	7,697,088	2,808,052	597,119	-	-	-	-	11,102,259
Deposits and placements with banks and other financial institutions	33,297	2,013,149	286,048	21,800	-	-	-	2,354,294
Financial assets at fair value through profit or loss	3,035,893	6,903,630	5,535,727	2,558,019	4,148,440	4,699,994	2,014,284	28,895,987
Debt instruments at fair value through other comprehensive income	151,511	532,872	1,194,522	2,162,149	11,368,574	10,990,449	1	26,400,078
Equity instruments at fair value through other comprehensive income	-	1,327	18	100,445	75,244	-	366,660	543,694
Debt instruments at amortised cost	1,089,144	1,946,180	1,289,784	2,012,921	14,563,980	14,882,461	-	35,784,470
Derivative financial instruments	235,292	960,421	902,980	1,063,297	3,544,444	1,624,425	-	8,330,859
Loans, advances and financing	25,957,977	7,632,381	5,785,459	16,729,796	50,047,968	178,315,910	-	284,469,491
Other assets	6,698,076	7,465	38,215	97,856	1,241,393	44,370	-	8,127,375
Deferred taxation	-	-	-	-	-	-	737,309	737,309
Tax recoverable	42,632	-	-	-	-	-	-	42,632
Statutory deposits with central banks	-	-	-	-	-	-	8,139,073	8,139,073
Investment in joint venture	-	-	-	-	-	-	171,864	171,864
Amount due from holding company and ultimate holding company	2,361	-	-	-	-	-	-	2,361
Amount due from related companies	1,077,762	-	-	-	-	-	-	1,077,762
Goodwill	-	-	-	-	-	-	5,213,838	5,213,838
Intangible assets	-	-	-	-	-	-	1,015,287	1,015,287
Prepaid lease payments	-	-	-	-	-	-	387	387
Property, plant and equipment	-	-	-	-	-	-	916,543	916,543
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	13,775	13,775
<b>Total assets</b>	<b>74,614,444</b>	<b>22,805,477</b>	<b>15,629,872</b>	<b>24,746,283</b>	<b>84,990,043</b>	<b>210,557,609</b>	<b>18,589,021</b>	<b>451,932,749</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.1 Contractual maturity of assets and liabilities (Continued)**

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

The Group 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
<b>Liabilities</b>								
Deposits from customers	168,822,052	57,379,754	49,696,300	38,632,967	4,661,451	50,365	-	319,242,889
Investment accounts of customers	717,758	881,007	169,474	1,031	-	-	-	1,769,270
Deposits and placements of banks and other financial institutions	9,676,904	8,087,823	934,802	507,923	100,404	-	-	19,307,856
Repurchase agreements	8,235,500	2,466,736	149,215	391	-	-	-	10,851,842
Derivative financial instruments	936,098	553,490	896,401	1,460,215	2,970,266	1,401,641	-	8,218,111
Bills and acceptances payable	472,954	40,548	29,152	-	20,270	682,020	-	1,244,944
Financial liabilities designated at fair value through profit or loss	3,307	8,768	1,957	92	3,158,574	2,708,009	-	5,880,707
Amount due to related companies	2,460	-	-	-	-	-	-	2,460
Other liabilities	5,178,855	740,798	780,362	879,226	869,696	672,725	-	9,121,662
Recourse obligation on loans and financing sold to Cagamas	24,408	1,525,759	6,581	-	3,801,435	649,264	-	6,007,447
Provision for taxation	407,693	-	-	-	-	-	-	407,693
Bonds, Sukuk and debentures	7,903	26,559	259,075	1,023,331	7,907,468	2,969,194	-	12,193,530
Other borrowings	15,450	71,166	-	413,750	4,758,125	-	-	5,258,491
Subordinated obligations	24,958	65,372	20,445	300,678	8,341,058	2,545,865	-	11,298,376
<b>Total liabilities</b>	<b>194,526,300</b>	<b>71,847,780</b>	<b>52,943,764</b>	<b>43,219,604</b>	<b>36,588,747</b>	<b>11,679,083</b>	<b>-</b>	<b>410,805,278</b>
<b>Net liquidity gap</b>	<b>(119,911,856)</b>	<b>(49,042,303)</b>	<b>(37,313,892)</b>	<b>(18,473,321)</b>	<b>48,401,296</b>	<b>198,878,526</b>	<b>18,589,021</b>	

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.1 Contractual maturity of assets and liabilities (Continued)**

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

<b>The Group 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>								
Cash and short-term funds	33,341,519	-	-	-	-	-	-	33,341,519
Reverse repurchase agreements	5,061,206	1,176,170	131,252	116,059	-	-	-	6,484,687
Deposits and placements with banks and other financial institutions	7,822	1,023,650	160,505	2,228	-	-	-	1,194,205
Financial assets held for trading	3,871,559	5,266,782	2,148,850	1,102,230	1,876,708	4,649,908	1,494,017	20,410,054
Financial investments available-for-sale	217,122	256,383	480,241	1,112,477	9,605,500	11,590,507	1,342,046	24,604,276
Financial investments held-to-maturity	1,471,349	1,058,063	794,915	2,512,576	15,792,165	12,694,034	-	34,323,102
Derivative financial instruments	414,987	1,103,628	1,044,463	799,941	3,421,190	1,586,238	-	8,370,447
Loans, advances and financing	32,237,905	9,773,212	5,535,371	13,390,276	46,068,922	154,783,023	-	261,788,709
Other assets	7,355,904	95,787	336,874	772,305	809,177	2,630	-	9,372,677
Deferred taxation	-	-	-	-	-	-	333,851	333,851
Tax recoverable	9,246	-	-	-	-	-	-	9,246
Statutory deposits with central banks	-	-	-	-	-	-	8,630,364	8,630,364
Investment in joint venture	-	-	-	-	-	-	169,688	169,688
Amount due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	3,227
Amount due from related companies	1,107,017	-	-	-	-	-	-	1,107,017
Goodwill	-	-	-	-	-	-	5,177,536	5,177,536
Intangible assets	-	-	-	-	-	-	1,002,253	1,002,253
Prepaid lease payments	-	-	-	-	-	-	397	397
Property, plant and equipment	-	-	-	-	-	-	732,387	732,387
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	4,199	4,199
<b>Total assets</b>	<b>85,098,863</b>	<b>19,753,675</b>	<b>10,632,471</b>	<b>19,808,092</b>	<b>77,573,662</b>	<b>185,306,340</b>	<b>18,886,738</b>	<b>417,059,841</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.1 Contractual maturity of assets and liabilities (Continued)**

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

<b>The Group 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>								
Deposits from customers	173,516,356	53,248,805	43,227,306	24,759,870	1,008,255	139,529	-	295,900,121
Investment accounts of customers	289,488	524,984	93,291	-	-	-	-	907,763
Deposits and placements of banks and other financial institutions	9,663,666	5,288,889	1,294,921	753,416	101,057	-	-	17,101,949
Repurchase agreements	659,145	1,876,936	781,189	1,247	-	-	-	3,318,517
Derivative financial instruments	544,863	1,227,465	1,138,109	1,337,103	3,186,803	1,294,094	-	8,728,437
Bills and acceptances payable	1,112,014	78,908	27,087	24,867	3,098	680,115	-	1,926,089
Financial liabilities designated at fair value	21,235	6,857	223,276	171,723	1,742,074	2,608,275	-	4,773,440
Amount due to related companies	13,267	-	-	-	-	-	-	13,267
Other liabilities	9,006,864	236,548	160,575	91,491	2,016,481	491,632	-	12,003,591
Recourse obligation on loans and financing sold to Cagamas	43,085	157,000	-	973,004	3,377,861	644,298	-	5,195,248
Deferred taxation	-	-	-	-	-	-	2,639	2,639
Provision for taxation	358,462	-	-	-	-	-	-	358,462
Bonds, Sukuk and debentures	162,080	199,121	573,304	155,478	9,361,354	2,812,048	-	13,263,385
Other borrowings	18,854	611,832	-	-	4,469,998	-	-	5,100,684
Subordinated obligations	103,715	-	-	2,048,743	8,021,950	186,910	-	10,361,318
<b>Total liabilities</b>	<b>195,513,094</b>	<b>63,457,345</b>	<b>47,519,058</b>	<b>30,316,942</b>	<b>33,288,931</b>	<b>8,856,901</b>	<b>2,639</b>	<b>378,954,910</b>
<b>Net liquidity gap</b>	<b>(110,414,231)</b>	<b>(43,703,670)</b>	<b>(36,886,587)</b>	<b>(10,508,850)</b>	<b>44,284,731</b>	<b>176,449,439</b>	<b>18,884,099</b>	



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.1 Contractual maturity of assets and liabilities (Continued)**

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

<b>The Bank 2018</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>								
Cash and short-term funds	17,428,021	-	-	-	-	-	-	17,428,021
Reverse repurchase agreements	7,684,338	2,808,052	481,533	-	-	-	-	10,973,923
Deposits and placements with banks and other financial institutions	5,915,357	4,321,210	577,365	124,488	-	-	-	10,938,420
Financial assets at fair value through profit or loss	2,623,372	5,303,651	4,724,816	2,530,789	3,665,594	2,151,994	2,014,284	23,014,500
Debt instruments at fair value through other comprehensive income	140,467	337,440	382,947	1,325,245	6,827,346	8,377,957	-	17,391,402
Equity instruments at fair value through other comprehensive income	-	1,327	18	100,445	75,244	-	354,565	531,599
Debt instruments at amortised cost	1,026,855	1,565,046	1,117,926	1,779,272	11,922,604	10,362,038	-	27,773,741
Derivative financial instruments	513,546	534,259	352,064	918,048	2,551,398	720,594	-	5,589,909
Loans, advances and financing	20,273,936	4,810,934	4,052,010	10,169,073	31,480,775	112,270,088	-	183,056,816
Other assets	5,341,457	3,315	24,163	79,381	1,204,493	-	-	6,652,809
Deferred taxation	-	-	-	-	-	-	514,806	514,806
Statutory deposits with central banks	-	-	-	-	-	-	5,315,286	5,315,286
Investment in subsidiaries	-	-	-	-	-	-	6,531,132	6,531,132
Investment in joint venture	-	-	-	-	-	-	125,000	125,000
Amount due from holding company and ultimate holding company	2,361	-	-	-	-	-	-	2,361
Amount due from subsidiaries	5,051	-	-	-	-	-	-	5,051
Amount due from related companies	1,076,218	-	-	-	-	-	-	1,076,218
Goodwill	-	-	-	-	-	-	3,555,075	3,555,075
Intangible assets	-	-	-	-	-	-	867,624	867,624
Property, plant and equipment	-	-	-	-	-	-	582,035	582,035
Non-current assets/disposal groups held for sale	-	-	-	-	-	-	9,576	9,576
<b>Total assets</b>	<b>62,030,979</b>	<b>19,685,234</b>	<b>11,712,842</b>	<b>17,026,741</b>	<b>57,727,454</b>	<b>133,882,671</b>	<b>19,869,383</b>	<b>321,935,304</b>

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for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.1 Contractual maturity of assets and liabilities (Continued)**

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

The Bank 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
<b>Liabilities</b>								
Deposits from customers	120,606,375	35,751,291	31,337,225	26,586,729	3,265,784	25,308	-	217,572,712
Deposits and placements of banks and other financial institutions	8,838,677	7,795,099	676,635	365,476	100,404	-	-	17,776,291
Repurchase agreements	4,092,845	2,466,736	149,215	391	-	-	-	6,709,187
Derivative financial instruments	595,641	499,330	494,982	1,103,593	1,917,680	718,480	-	5,329,706
Bills and acceptances payable	420,331	32,934	26,133	-	-	-	-	479,398
Financial liabilities designated at fair value through profit or loss	3,023	3,735	-	92	1,318,054	8,666	-	1,333,570
Amount due to subsidiaries	93,917	-	-	-	-	-	-	93,917
Amount due to related companies	1,177	-	-	-	-	-	-	1,177
Other liabilities	4,178,366	706,974	778,724	879,226	797,245	614,111	-	7,954,646
Recourse obligation on loans and financing sold to Cagamas	15,734	1,121,313	4,205	-	2,301,428	649,264	-	4,091,944
Provision for taxation	314,364	-	-	-	-	-	-	314,364
Bonds	-	25,639	259,075	1,023,331	7,172,485	2,212,797	-	10,693,327
Other borrowings	15,774	71,166	-	413,750	4,758,125	301,285	-	5,560,100
Subordinated obligations	-	55,245	20,290	6,444	9,117,105	1,200,000	-	10,399,084
<b>Total liabilities</b>	<b>139,176,224</b>	<b>48,529,462</b>	<b>33,746,484</b>	<b>30,379,032</b>	<b>30,748,310</b>	<b>5,729,911</b>	<b>-</b>	<b>288,309,423</b>
<b>Net liquidity gap</b>	<b>(77,145,245)</b>	<b>(28,844,228)</b>	<b>(22,033,642)</b>	<b>(13,352,291)</b>	<b>26,979,144</b>	<b>128,152,760</b>	<b>19,869,383</b>	

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for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.1 Contractual maturity of assets and liabilities (Continued)**

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

<b>The Bank 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>								
Cash and short-term funds	19,642,521	-	-	-	-	-	-	19,642,521
Reverse repurchase agreements	3,755,504	1,176,170	68,927	-	-	-	-	5,000,601
Deposits and placements with banks and other financial institutions	5,745,145	3,343,998	136,240	2,044	-	-	-	9,227,427
Financial assets held for trading	2,884,685	4,072,690	1,549,852	863,917	1,708,653	3,418,590	1,494,017	15,992,404
Financial investments available-for-sale	196,730	243,772	446,321	1,066,568	6,811,112	9,976,838	1,313,926	20,055,267
Financial investments held-to-maturity	1,455,066	1,026,183	692,263	1,731,729	12,827,317	10,966,003	-	28,698,561
Derivative financial instruments	477,226	702,872	650,800	575,335	2,834,845	821,464	-	6,062,542
Loans, advances and financing	26,000,454	7,119,446	4,196,256	9,030,134	29,032,414	101,518,332	-	176,897,036
Other assets	6,297,771	-	319,738	723,431	791,625	-	-	8,132,565
Deferred taxation	-	-	-	-	-	-	111,658	111,658
Statutory deposits with central banks	-	-	-	-	-	-	6,503,641	6,503,641
Investment in subsidiaries	-	-	-	-	-	-	6,002,931	6,002,931
Investment in joint venture	-	-	-	-	-	-	125,000	125,000
Amount due from holding company and ultimate holding company	3,227	-	-	-	-	-	-	3,227
Amount due from subsidiaries	63,827	-	-	-	-	-	-	63,827
Amount due from related companies	1,105,782	-	-	-	-	-	-	1,105,782
Goodwill	-	-	-	-	-	-	3,555,075	3,555,075
Intangible assets	-	-	-	-	-	-	877,706	877,706
Property, plant and equipment	-	-	-	-	-	-	396,628	396,628
<b>Total assets</b>	<b>67,627,938</b>	<b>17,685,131</b>	<b>8,060,397</b>	<b>13,993,158</b>	<b>54,005,966</b>	<b>126,701,227</b>	<b>20,380,582</b>	<b>308,454,399</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.1 Contractual maturity of assets and liabilities (Continued)**

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

<b>The Bank 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>								
Deposits from customers	124,759,457	34,379,098	31,679,607	15,859,407	738,871	26,511	-	207,442,951
Deposits and placements of banks and other financial institutions	8,410,834	5,827,433	1,128,033	697,377	100,432	-	-	16,164,109
Repurchase agreements	659,145	1,876,936	781,189	1,247	-	-	-	3,318,517
Derivative financial instruments	680,062	697,056	797,648	1,140,451	2,414,009	794,383	-	6,523,609
Bills and acceptances payable	983,715	75,653	27,087	-	-	-	-	1,086,455
Financial liabilities designated at fair value	14,975	4,624	223,276	171,723	1,345,124	141,250	-	1,900,972
Amount due to subsidiaries	12,555	-	-	-	-	-	-	12,555
Amount due to related companies	10,308	-	-	-	-	-	-	10,308
Other liabilities	7,495,488	206,997	159,523	91,468	1,996,275	480,763	-	10,430,514
Recourse obligation on loans and financing sold to Cagamas	27,793	-	-	973,004	1,477,853	644,298	-	3,122,948
Provision for taxation	300,254	-	-	-	-	-	-	300,254
Bonds	148,638	60,740	303,698	131,643	8,577,415	1,982,814	-	11,204,948
Other borrowings	19,210	611,832	-	-	4,469,998	596,688	-	5,697,728
Subordinated obligations	73,197	-	-	2,048,743	7,411,951	-	-	9,533,891
<b>Total liabilities</b>	<b>143,595,631</b>	<b>43,740,369</b>	<b>35,100,061</b>	<b>21,115,063</b>	<b>28,531,928</b>	<b>4,666,707</b>	<b>-</b>	<b>276,749,759</b>
<b>Net liquidity gap</b>	<b>(75,967,693)</b>	<b>(26,055,238)</b>	<b>(27,039,664)</b>	<b>(7,121,905)</b>	<b>25,474,038</b>	<b>122,034,520</b>	<b>20,380,582</b>	

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis****Non-derivative financial liabilities**

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

<b>The Group 2018</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	169,150,317	57,715,931	50,464,931	39,351,728	4,860,139	65,223	-	321,608,269
Investment accounts of customers	718,201	887,976	171,549	1,049	-	-	-	1,778,775
Deposits and placements of banks and other financial institutions	9,694,285	8,122,953	945,106	565,352	100,404	-	-	19,428,100
Repurchase agreements	8,238,233	2,471,439	149,913	1,110	12,935	-	-	10,873,630
Bills and acceptances payable	473,017	41,740	34,281	11,771	114,178	765,174	-	1,440,161
Financial liabilities designated at fair value through profit or loss	350,405	19,040	22,029	41,217	3,325,074	2,811,434	-	6,569,199
Amount due to related companies	2,460	-	-	-	-	-	-	2,460
Other liabilities	4,094,781	737,768	791,903	900,784	906,788	668,243	-	8,100,267
Recourse obligation on loans and financing sold to Cagamas	29,882	1,535,428	58,130	94,160	4,156,870	802,825	-	6,677,295
Bonds, Sukuk and debentures	8,673	63,102	351,619	1,201,239	8,710,055	3,127,353	-	13,462,041
Other borrowings	20,186	93,941	12,116	462,865	5,205,499	34,507	-	5,829,114
Subordinated obligations	26,299	101,888	152,503	645,865	9,873,553	2,808,311	-	13,608,419
Financial guarantees	2,412,614	157,117	203,495	564,649	360,250	-	-	3,698,125
Credit related commitments and contingencies	38,497,539	363,430	969,627	3,083,228	2,946,995	21,054,362	485,023	67,400,204
	<b>233,716,892</b>	<b>72,311,753</b>	<b>54,327,202</b>	<b>46,925,017</b>	<b>40,572,740</b>	<b>32,137,432</b>	<b>485,023</b>	<b>480,476,059</b>

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for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

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

<b>The Group 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	173,868,316	53,453,019	43,657,075	25,197,120	1,052,850	169,499	-	297,397,879
Investment accounts of customers	292,927	526,215	93,713	-	-	-	-	912,855
Deposits and placements of banks and other financial institutions	9,668,660	5,303,224	1,301,223	762,141	101,073	-	-	17,136,321
Repurchase agreements	660,041	1,880,235	782,344	4,113	21,352	-	-	3,348,085
Bills and acceptances payable	1,112,122	79,783	30,824	34,178	71,342	773,894	-	2,102,143
Financial liabilities designated at fair value	347,107	21,592	248,285	203,543	1,908,497	2,613,177	-	5,342,201
Amount due to related companies	13,267	-	-	-	-	-	-	13,267
Other liabilities	8,442,147	242,242	162,257	94,532	2,120,954	499,102	-	11,561,234
Recourse obligation on loans and financing sold to Cagamas	47,725	179,781	30,378	1,058,426	3,738,696	823,077	-	5,878,083
Bonds, Sukuk and debentures	164,728	228,722	656,815	315,885	10,461,116	3,063,770	-	14,891,036
Other borrowings	24,199	626,581	3,542	29,541	4,905,947	70,365	-	5,660,175
Subordinated obligations	105,065	25,504	125,726	2,368,941	9,277,762	353,955	-	12,256,953
Financial guarantees	6,034,079	-	-	-	-	-	-	6,034,079
Credit related commitments and contingencies	49,239,601	795,738	877,303	3,404,082	2,511,064	25,066,969	467,503	82,362,260
	<b>250,019,984</b>	<b>63,362,636</b>	<b>47,969,485</b>	<b>33,472,502</b>	<b>36,170,653</b>	<b>33,433,808</b>	<b>467,503</b>	<b>464,896,571</b>

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**Notes to the Financial Statements  
for financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

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

<b>The Bank 2018</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	120,698,610	35,986,366	31,954,872	27,063,124	3,430,575	30,034	-	219,163,581
Deposits and placements of banks and other financial institutions	8,855,632	7,823,927	683,343	418,819	100,404	-	-	17,882,125
Repurchase agreements	4,095,108	2,471,439	149,913	1,110	12,935	-	-	6,730,505
Bills and acceptances payable	420,331	32,934	26,133	-	-	-	-	479,398
Financial liabilities designated at fair value through profit or loss	3,669	11,128	14,398	25,419	1,425,828	10,794	-	1,491,236
Bonds	-	60,141	345,794	1,191,021	7,950,406	2,370,955	-	11,918,317
Other borrowings	20,510	93,941	12,116	462,865	5,205,499	335,791	-	6,130,722
Amount due to subsidiaries	93,917	-	-	-	-	-	-	93,917
Amount due to related companies	1,177	-	-	-	-	-	-	1,177
Other liabilities	3,538,220	711,125	791,315	900,283	835,444	617,293	-	7,393,680
Recourse obligation on loans and financing sold to Cagamas	18,895	1,126,861	35,689	60,681	2,590,046	802,825	-	4,634,997
Subordinated obligations	-	82,608	139,737	299,228	10,315,025	1,258,720	-	12,095,318
Financial guarantees	1,851,418	153,063	203,495	159,420	360,250	-	-	2,727,646
Credit related commitments and contingencies	36,368,841	188,322	814,751	1,687,100	2,337,808	11,916,738	485,023	53,798,583
	<b>175,966,328</b>	<b>48,741,855</b>	<b>35,171,556</b>	<b>32,269,070</b>	<b>34,564,220</b>	<b>17,343,150</b>	<b>485,023</b>	<b>344,541,202</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

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

<b>The Bank 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	124,809,668	34,571,786	32,078,992	16,184,008	776,694	31,501	-	208,452,649
Deposits and placements of banks and other financial institutions	8,412,698	5,841,028	1,133,533	705,681	100,432	-	-	16,193,372
Repurchase agreements	660,041	1,880,235	782,344	4,113	21,352	-	-	3,348,085
Bills and acceptances payable	983,715	75,653	27,087	-	-	-	-	1,086,455
Financial liabilities designated at fair value	13,155	18,542	246,653	198,738	1,500,439	155,300	-	2,132,827
Bonds	149,313	89,718	382,755	287,670	9,618,725	2,234,536	-	12,762,717
Other borrowings	24,555	626,581	3,542	29,541	4,905,947	667,053	-	6,257,219
Amount due to subsidiaries	12,555	-	-	-	-	-	-	12,555
Amount due to related companies	10,308	-	-	-	-	-	-	10,308
Other liabilities	7,329,898	212,690	161,205	94,509	2,100,748	488,233	-	10,387,283
Recourse obligation on loans and financing sold to Cagamas	28,334	10,566	21,130	1,015,024	1,710,591	823,077	-	3,608,722
Subordinated obligations	73,197	14,559	125,726	2,326,380	8,435,342	-	-	10,975,204
Financial guarantees	5,069,647	-	-	-	-	-	-	5,069,647
Credit related commitments and contingencies	40,689,885	607,914	816,718	3,088,251	2,278,888	20,248,455	467,503	68,197,614
	<b>188,266,969</b>	<b>43,949,272</b>	<b>35,779,685</b>	<b>23,933,915</b>	<b>31,449,158</b>	<b>24,648,155</b>	<b>467,503</b>	<b>348,494,657</b>



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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

##### **57.3 Liquidity risk (Continued)**

##### **57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)**

###### **Derivative financial liabilities**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities.

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

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

The Group 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(1,031,933)	-	-	-	-	-	-	(1,031,933)
- Interest rate derivatives	(1,803,329)	-	-	-	-	-	-	(1,803,329)
- Equity related derivatives	(147,019)	-	-	-	-	-	-	(147,019)
- Commodity related derivatives	(968,177)	-	-	-	-	-	-	(968,177)
- Credit related contracts	(20,965)	-	-	-	-	-	-	(20,965)
- Bond forward	(49,080)	-	-	-	-	-	-	(49,080)
<b>Hedging derivatives</b>								
- Foreign exchange derivatives	-	-	-	-	-	73	-	73
- Interest rate derivatives	(2,879)	10,611	(6,986)	(85,511)	(52,244)	519,414	-	382,405
	<b>(4,023,382)</b>	<b>10,611</b>	<b>(6,986)</b>	<b>(85,511)</b>	<b>(52,244)</b>	<b>519,487</b>	<b>-</b>	<b>(3,638,025)</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis: (Continued)

<b>The Group 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(492,018)	-	-	-	-	-	-	(492,018)
- Interest rate derivatives	(1,729,042)	-	-	-	-	-	-	(1,729,042)
- Equity related derivatives	(122,143)	-	-	-	-	-	-	(122,143)
- Commodity related derivatives	(620,633)	-	-	-	-	-	-	(620,633)
- Credit related contracts	(9,182)	-	-	-	-	-	-	(9,182)
- Bond forward	(15,831)	-	-	-	-	-	-	(15,831)
<b>Hedging derivatives</b>								
- Interest rate derivatives	(39,565)	28,642	(65,904)	(54,230)	(172,878)	(45,592)	-	(349,527)
	<u>(3,028,414)</u>	<u>28,642</u>	<u>(65,904)</u>	<u>(54,230)</u>	<u>(172,878)</u>	<u>(45,592)</u>	<u>-</u>	<u>(3,338,376)</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis: (Continued)

The Bank 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(629,540)	-	-	-	-	-	-	(629,540)
- Interest rate derivatives	(1,033,201)	-	-	-	-	-	-	(1,033,201)
- Equity related derivatives	(145,289)	-	-	-	-	-	-	(145,289)
- Commodity related derivatives	(968,177)	-	-	-	-	-	-	(968,177)
- Credit related contracts	(22,430)	-	-	-	-	-	-	(22,430)
- Bond forward	(1,128)	-	-	-	-	-	-	(1,128)
<b>Hedging derivatives</b>								
- Foreign exchange derivatives	-	-	-	-	-	73	-	73
- Interest rate derivatives	4,112	(7,947)	23,255	(62,867)	(41,381)	519,414	-	434,586
	(2,795,653)	(7,947)	23,255	(62,867)	(41,381)	519,487	-	(2,365,106)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis: (Continued)

<b>The Bank 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(492,018)	-	-	-	-	-	-	(492,018)
- Interest rate derivatives	(1,225,514)	-	-	-	-	-	-	(1,225,514)
- Equity related derivatives	(121,832)	-	-	-	-	-	-	(121,832)
- Commodity related derivatives	(620,633)	-	-	-	-	-	-	(620,633)
- Credit related contracts	(30,255)	-	-	-	-	-	-	(30,255)
- Bond forward	(99)	-	-	-	-	-	-	(99)
<b>Hedging derivatives</b>								
- Interest rate derivatives	(32,215)	10,015	(30,711)	(33,594)	(125,209)	(45,592)	-	(257,306)
	(2,522,566)	10,015	(30,711)	(33,594)	(125,209)	(45,592)	-	(2,747,657)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The Group's and the Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options, cross currency interest rate swaps.

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow:

The Group 2018	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(3,544,286)	-	-	-	-	-	-	(3,544,286)
<b>Hedging derivatives</b>								
Foreign exchange derivatives								
- Outflow	(876,360)	(2,405,519)	(1,220,905)	(1,902,780)	(2,339,740)	(530,677)	-	(9,275,981)
- Inflow	873,240	2,400,429	1,229,278	1,708,358	2,282,509	514,732	-	9,008,546
	<u>(3,547,406)</u>	<u>(5,090)</u>	<u>8,373</u>	<u>(194,422)</u>	<u>(57,231)</u>	<u>(15,945)</u>	<u>-</u>	<u>(3,811,721)</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

The Group 2017	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(5,202,004)	-	-	-	-	-	-	(5,202,004)
<b>Hedging derivatives</b>								
Foreign exchange derivatives								
- Outflow	(601,577)	(3,075,275)	(2,429,104)	(293,407)	(3,645,591)	(534,919)	-	(10,579,873)
- Inflow	614,234	3,135,256	2,486,097	303,778	3,481,412	519,689	-	10,540,466
	(5,189,347)	59,981	56,993	10,371	(164,179)	(15,230)	-	(5,241,411)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

<b>The Bank 2018</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(2,103,215)	-	-	-	-	-	-	(2,103,215)
<b>Derivative financial liabilities</b>								
<b>Hedging derivatives</b>								
Foreign exchange derivatives								
- Outflow	(823,375)	(2,395,754)	(1,217,154)	(811,539)	(487,452)	-	-	(5,735,274)
- Inflow	819,014	2,389,058	1,222,641	723,196	483,136	-	-	5,637,045
	<b>(2,107,576)</b>	<b>(6,696)</b>	<b>5,487</b>	<b>(88,343)</b>	<b>(4,316)</b>	<b>-</b>	<b>-</b>	<b>(2,201,444)</b>



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for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.3 Liquidity risk (Continued)****57.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

The Bank 2017	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
<b>Derivative financial liabilities</b>								
<b>Trading derivatives</b>								
- Foreign exchange derivatives	(3,676,058)	-	-	-	-	-	-	(3,676,058)
<b>Derivative financial liabilities</b>								
<b>Hedging derivatives</b>								
Foreign exchange derivatives								
- Outflow	(555,028)	(3,074,551)	(2,425,943)	(241,350)	(1,206,907)	-	-	(7,503,779)
- Inflow	566,082	3,134,297	2,481,238	247,544	1,149,368	-	-	7,578,529
	<u>(3,665,004)</u>	<u>59,746</u>	<u>55,295</u>	<u>6,194</u>	<u>(57,539)</u>	<u>-</u>	<u>-</u>	<u>(3,601,308)</u>

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.4 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.

##### 57.4.1 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.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.4.1 Determination of fair value and fair value hierarchy (Continued)**

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

#### **Valuation Model Review and Approval**

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of market data reasonableness verification;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative analysts before submitting to the GMRC for approval;
- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- Group Risk Management Quantitative analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative analysts and approved by Regional Head, Market Risk Management and/or the 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.

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.4 Fair value estimation (Continued)

##### 57.4.1 Determination of fair value and fair value hierarchy (Continued)

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

2018	The Group Fair Value					The Bank Fair Value				
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Recurring fair value measurements</b>										
<b>Financial assets</b>										
Reverse repurchase agreement at fair value through profit or loss	500,134	-	500,134	-	500,134	500,134	-	500,134	-	500,134
Financial assets at fair value through profit or loss										
-Money market instruments	22,983,631	-	22,569,666	413,965	22,983,631	17,557,750	-	17,143,785	413,965	17,557,750
-Quoted securities	397,879	397,879	-	-	397,879	397,879	397,879	-	-	397,879
-Unquoted securities	5,514,477	-	4,299,772	1,214,705	5,514,477	5,058,871	-	3,856,431	1,202,440	5,058,871
Debt instruments at fair value through other comprehensive income										
-Money market instruments	6,380,101	-	6,380,101	-	6,380,101	2,511,408	-	2,511,408	-	2,511,408
-Unquoted securities	20,019,977	-	20,019,976	1	20,019,977	14,879,994	-	14,879,994	-	14,879,994
Equity instruments at fair value through other comprehensive income										
-Quoted securities	7,725	7,725	-	-	7,725	58	58	-	-	58
-Unquoted securities	535,969	-	177,034	358,935	535,969	531,541	-	177,034	354,507	531,541
Derivative financial instruments										
-Trading derivatives	8,219,209	17,150	7,985,778	216,281	8,219,209	5,445,061	17,150	5,211,630	216,281	5,445,061
-Hedging derivatives	111,650	-	111,650	-	111,650	144,848	-	144,848	-	144,848
Loans, advances and financing at fair value through profit or loss	803,681	-	803,681	-	803,681	312,115	-	312,115	-	312,115
<b>Non-recurring fair value measurements</b>										
<b>Non-financial assets</b>										
Non-current assets/disposal groups held for sale	13,775	-	13,775	-	13,775	9,576	-	9,576	-	9,576
<b>Total</b>	<b>65,488,208</b>	<b>422,754</b>	<b>62,861,567</b>	<b>2,203,887</b>	<b>65,488,208</b>	<b>47,349,235</b>	<b>415,087</b>	<b>44,746,955</b>	<b>2,187,193</b>	<b>47,349,235</b>
<b>Recurring fair value measurements</b>										
<b>Financial liabilities</b>										
Derivative financial instruments										
-Trading derivatives	7,564,789	531,062	6,924,583	109,144	7,564,789	4,902,980	531,062	4,254,398	117,520	4,902,980
-Hedging derivatives	653,322	-	653,322	-	653,322	426,726	-	426,726	-	426,726
Financial liabilities designated at fair value through profit or loss	5,880,707	-	5,880,707	-	5,880,707	1,333,570	-	1,333,570	-	1,333,570
<b>Total</b>	<b>14,098,818</b>	<b>531,062</b>	<b>13,458,612</b>	<b>109,144</b>	<b>14,098,818</b>	<b>6,663,276</b>	<b>531,062</b>	<b>6,014,694</b>	<b>117,520</b>	<b>6,663,276</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.4 Fair value estimation (Continued)****57.4.1 Determination of fair value and fair value hierarchy (Continued)**

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

	The Group Fair Value					The Bank Fair Value				
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2017</b>										
<b>Recurring fair value measurements</b>										
<b>Financial assets</b>										
Financial assets held for trading										
-Money market instruments	13,885,908	-	13,885,908	-	13,885,908	9,649,627	-	9,649,627	-	9,649,627
-Quoted securities	1,329,774	1,329,774	-	-	1,329,774	1,329,774	1,329,774	-	-	1,329,774
-Unquoted securities	5,194,372	-	5,030,129	164,243	5,194,372	5,013,003	-	4,848,760	164,243	5,013,003
Financial investments available-for-sale										
-Money market instruments	2,401,517	-	2,401,517	-	2,401,517	2,006,289	-	2,006,289	-	2,006,289
-Quoted securities	10,216	10,216	-	-	10,216	131	131	-	-	131
-Unquoted securities	22,192,543	-	20,860,712	1,331,831	22,192,543	18,048,847	-	16,735,052	1,313,795	18,048,847
Derivative financial instruments										
-Trading derivatives	8,130,326	122,342	7,951,588	56,396	8,130,326	5,734,283	122,342	5,555,545	56,396	5,734,283
-Hedging derivatives	240,121	-	240,121	-	240,121	328,259	-	328,259	-	328,259
<b>Non-recurring fair value measurements</b>										
<b>Non-financial assets</b>										
Non-current assets/disposal groups held for sale	4,199	-	4,199	-	4,199	-	-	-	-	-
<b>Total</b>	<b>53,388,976</b>	<b>1,462,332</b>	<b>50,374,174</b>	<b>1,552,470</b>	<b>53,388,976</b>	<b>42,110,213</b>	<b>1,452,247</b>	<b>39,123,532</b>	<b>1,534,434</b>	<b>42,110,213</b>
<b>Recurring fair value measurements</b>										
<b>Financial liabilities</b>										
Derivative financial instruments										
-Trading derivatives	8,190,853	157,099	8,009,650	24,104	8,190,853	6,166,409	157,099	5,977,712	31,598	6,166,409
-Hedging derivatives	537,584	-	537,584	-	537,584	357,200	-	357,200	-	357,200
Financial liabilities designated at fair value	4,773,440	-	4,378,382	395,058	4,773,440	1,900,972	-	1,505,914	395,058	1,900,972
<b>Total</b>	<b>13,501,877</b>	<b>157,099</b>	<b>12,925,616</b>	<b>419,162</b>	<b>13,501,877</b>	<b>8,424,581</b>	<b>157,099</b>	<b>7,840,826</b>	<b>426,656</b>	<b>8,424,581</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.4 Fair value estimation (Continued)****57.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2018 and 31 December 2017 for the Group and the Bank:

	Financial Assets						Total	Financial Liabilities		Total
	Financial assets at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial assets held for trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value through profit or loss	
	Money market instruments and unquoted securities	Unquoted securities	Unquoted securities	Unquoted securities	Unquoted securities	Trading derivatives		Trading derivatives		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>The Group</b>										
<b>2018</b>										
At 1 January	-	-	-	164,243	1,331,831	56,396	1,552,470	(24,104)	(395,058)	(419,162)
Effect of adopting MFRS 9 on 1 January 2018	1,211,452	1,502	283,120	(164,243)	(1,331,831)	-	-	-	-	-
Adjusted 1 January	1,211,452	1,502	283,120	-	-	56,396	1,552,470	(24,104)	(395,058)	(419,162)
Total gains/(losses) recognised in statement of income	29,438	-	-	-	-	155,651	185,089	(109,910)	(127,879)	(237,789)
Total gains recognised in other comprehensive income	-	-	74,604	-	-	-	74,604	-	-	-
Purchases	405,598	-	602	-	-	111,947	518,147	(76,254)	-	(76,254)
Sales and redemptions	(35,917)	(1,507)	(1,415)	-	-	-	(38,839)	-	-	-
Settlements	-	-	-	-	-	(109,352)	(109,352)	102,048	522,937	624,985
Exchange fluctuation	18,099	6	2,024	-	-	1,639	21,768	(924)	-	(924)
At 31 December	1,628,670	1	358,935	-	-	216,281	2,203,887	(109,144)	-	(109,144)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2018 under:										
- net non-interest income	29,438	-	-	-	-	155,651	185,089	(109,910)	(120,525)	(230,435)
- interest expense	-	-	-	-	-	-	-	-	(7,354)	(7,354)
Total gains recognised in other comprehensive income for financial year ended 31 December 2018 under "revaluation reserves"	-	-	74,604	-	-	-	74,604	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2018 under "net non-interest income"	28,346	-	-	-	-	99,751	128,097	(11,714)	-	(11,714)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.4 Fair value estimation (Continued)****57.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2018 and 31 December 2017 for the Group and the Bank: (Continued)

	Financial Assets				Financial Liabilities		
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments	Total	Derivative financial instruments	Financial liabilities designated at fair value	Total
	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000	RM'000	Trading derivatives RM'000	RM'000	RM'000
<b>The Group</b>							
<b>2017</b>							
At 1 January	178,451	1,297,868	96,182	1,572,501	(140,510)	(386,462)	(526,972)
Total gains/(losses) recognised in statement of income	3,136	(2,141)	(38,693)	(37,698)	64,662	(32,607)	32,055
Total gains recognised in other comprehensive income	-	84,294	-	84,294	-	-	-
Purchases	-	27,367	36,054	63,421	(44,016)	-	(44,016)
Sales and redemptions	-	(39,610)	-	(39,610)	-	-	-
Settlements	-	-	(36,621)	(36,621)	95,329	24,011	119,340
Exchange fluctuation	(17,344)	(35,947)	(526)	(53,817)	431	-	431
At 31 December	164,243	1,331,831	56,396	1,552,470	(24,104)	(395,058)	(419,162)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2017 under:							
- net non-interest income	3,136	(1,700)	(38,693)	(37,257)	64,662	(15,465)	49,197
- interest expense	-	-	-	-	-	(17,142)	(17,142)
- allowances for other impairment losses	-	(441)	-	(441)	-	-	-
Total gains recognised in other comprehensive income for financial year ended 31 December 2017 under "revaluation reserves"	-	84,294	-	84,294	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2017 under "net non-interest income"	3,136	-	2,577	5,713	18,127	(15,465)	2,662

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for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.4 Fair value estimation (Continued)****57.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2018 and 31 December 2017 for the Group and the Bank: (Continued)

	Financial Assets						Total	Financial Liabilities		Total
	Financial assets at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial assets held for trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value through profit or loss	
	Money market instruments and unquoted securities	Unquoted securities	Unquoted securities	Unquoted securities	Unquoted securities	Trading derivatives		Trading derivatives		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Bank 2018</b>										
At 1 January	-	-	-	164,243	1,313,795	56,396	1,534,434	(31,598)	(395,058)	(426,656)
Effect of adopting MFRS 9 on 1 January 2018	1,200,187	-	277,851	(164,243)	(1,313,795)	-	-	-	-	-
Adjusted 1 January	1,200,187	-	277,851	-	-	56,396	1,534,434	(31,598)	(395,058)	(426,656)
Total gains/(losses) recognised in statement of income	28,438	-	-	-	-	155,651	184,089	(113,500)	(127,879)	(241,379)
Total gains recognised in other comprehensive income	-	-	74,778	-	-	-	74,778	-	-	-
Purchases	405,598	-	511	-	-	111,947	518,056	(76,254)	-	(76,254)
Sales and redemptions	(35,917)	-	(565)	-	-	-	(36,482)	-	-	-
Settlements	-	-	-	-	-	(109,352)	(109,352)	104,756	522,937	627,693
Exchange fluctuation	18,099	-	1,932	-	-	1,639	21,670	(924)	-	(924)
At 31 December	1,616,405	-	354,507	-	-	216,281	2,187,193	(117,520)	-	(117,520)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2018 under:										
- net non-interest income	28,438	-	-	-	-	155,651	184,089	(113,500)	(120,525)	(234,025)
- interest expense	-	-	-	-	-	-	-	-	(7,354)	(7,354)
Total gains recognised in other comprehensive income for financial year ended 31 December 2018 under "revaluation reserves"	-	-	74,778	-	-	-	74,778	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2018 under "net non-interest income"	28,346	-	-	-	-	99,751	128,097	(12,595)	-	(12,595)



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The following represents the changes in Level 3 instruments for the financial year ended 31 December 2018 and 31 December 2017 for the Group and the Bank: (Continued)

	Financial Assets			Total	Financial Liabilities		Total
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value	
	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000		Trading derivatives RM'000	RM'000	
<b>The Bank</b>							
<b>2017</b>							
At 1 January	73,506	1,277,121	109,713	1,460,340	(140,510)	(386,462)	(526,972)
Total gains/(losses) recognised in statement of income	629	(1,694)	(52,224)	(53,289)	57,168	(32,607)	24,561
Total gains recognised in other comprehensive income	-	83,753	-	83,753	-	-	-
Purchases	103,106	27,266	36,054	166,426	(44,016)	-	(44,016)
Sales and redemptions	-	(36,733)	-	(36,733)	-	-	-
Settlements	-	-	(36,621)	(36,621)	95,329	24,011	119,340
Exchange fluctuation	(12,998)	(35,918)	(526)	(49,442)	431	-	431
At 31 December	164,243	1,313,795	56,396	1,534,434	(31,598)	(395,058)	(426,656)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2017 under:							
- net non-interest income	629	(1,694)	(52,224)	(53,289)	57,168	(15,465)	41,703
- interest expense	-	-	-	-	-	(17,142)	(17,142)
Total gains recognised in other comprehensive income for financial year ended 31 December 2017 under "revaluation reserves"	-	83,753	-	83,753	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2017 under "net non-interest income"	629	-	2,577	3,206	10,633	(15,465)	(4,832)

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The following tables analyse within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2018 and 31 December 2017 but for which fair value is disclosed:

	Carrying amount RM'000	The Group Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>2018</b>				
<b>Financial assets</b>				
Cash and short-term funds	28,593,411	28,593,411	-	28,593,411
Reverse repurchase agreements	10,602,125	-	10,605,973	10,605,973
Deposits and placement with banks and other financial institutions	2,354,294	-	2,354,294	2,354,294
Debt instruments at amortised cost	35,784,470	-	35,995,927	35,995,927
Loans, advances and financing at amortised cost	283,665,810	-	279,341,332	279,341,332
Other assets	8,127,375	-	8,127,365	8,127,365
Statutory deposits with central banks	8,139,073	8,139,073	-	8,139,073
Amounts due from holding company and ultimate holding company	2,361	-	2,361	2,361
Amounts due from related companies	1,077,762	-	1,077,762	1,077,762
<b>Total</b>	<b>378,346,681</b>	<b>36,732,484</b>	<b>337,505,014</b>	<b>374,237,498</b>
<b>Financial liabilities</b>				
Deposits from customers	319,242,889	-	319,263,152	319,263,152
Investment accounts of customers	1,769,270	-	1,769,270	1,769,270
Deposits and placements of banks and other financial institutions	19,307,856	-	19,291,335	19,291,335
Repurchase agreements	10,851,842	-	10,847,246	10,847,246
Bills and acceptances payable	1,244,944	-	1,244,944	1,244,944
Amounts due to related companies	2,460	-	2,460	2,460
Other liabilities	9,121,662	-	9,121,662	9,121,662
Recourse obligation on loans and financing sold to Cagamas	6,007,447	-	6,069,580	6,069,580
Bonds, Sukuk and debentures	12,193,530	-	12,272,029	12,272,029
Other borrowings	5,258,491	-	5,223,133	5,223,133
Subordinated obligations	11,298,376	-	11,401,576	11,401,576
<b>Total</b>	<b>396,298,767</b>	<b>-</b>	<b>396,506,387</b>	<b>396,506,387</b>

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The following tables analyse within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2018 and 31 December 2017 but for which fair value is disclosed: (Continued)

	Carrying amount RM'000	The Group Fair Value		Total RM'000
		Level 1 RM'000	Level 2 RM'000	
<b>2017</b>				
<b>Financial assets</b>				
Cash and short-term funds	33,341,519	33,341,519	-	33,341,519
Reverse repurchase agreements	6,484,687	-	6,484,328	6,484,328
Deposits and placement with banks and other financial institutions	1,194,205	-	1,194,205	1,194,205
Financial investments held-to-maturity	34,323,102	-	34,525,057	34,525,057
Loans, advances and financing	261,788,709	-	257,907,038	257,907,038
Other assets	9,372,677	-	9,403,227	9,403,227
Statutory deposits with central banks	8,630,364	8,630,364	-	8,630,364
Amounts due from holding company and ultimate holding company	3,227	-	3,227	3,227
Amounts due from related companies	1,107,017	-	1,107,017	1,107,017
<b>Total</b>	<b>356,245,507</b>	<b>41,971,883</b>	<b>310,624,099</b>	<b>352,595,982</b>
<b>Financial liabilities</b>				
Deposits from customers	295,900,121	-	295,780,422	295,780,422
Investment accounts of customers	907,763	-	907,763	907,763
Deposits and placements of banks and other financial institutions	17,101,949	-	17,089,509	17,089,509
Repurchase agreements	3,318,517	-	3,318,517	3,318,517
Bills and acceptances payable	1,926,089	-	1,926,610	1,926,610
Amounts due to related companies	13,267	-	13,267	13,267
Other liabilities	12,003,591	-	12,003,591	12,003,591
Recourse obligation on loans and financing sold to Cagamas	5,195,248	-	5,256,535	5,256,535
Bonds, Sukuk and debentures	13,263,385	-	13,228,022	13,228,022
Other borrowings	5,100,684	-	5,046,828	5,046,828
Subordinated obligations	10,361,318	-	10,483,222	10,483,222
<b>Total</b>	<b>365,091,932</b>	<b>-</b>	<b>365,054,286</b>	<b>365,054,286</b>

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The following tables analyse within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2018 and 31 December 2017 but for which fair value is disclosed:

	Carrying amount RM'000	The Bank Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>2018</b>				
<b>Financial assets</b>				
Cash and short-term funds	17,428,021	17,428,021	-	17,428,021
Reverse repurchase agreements	10,473,789	-	10,477,637	10,477,637
Deposits and placement with banks and other financial institutions	10,938,420	-	10,938,420	10,938,420
Debt instruments at amortised cost	27,773,741	-	27,954,126	27,954,126
Loans, advances and financing at amortised cost	182,744,701	-	180,937,318	180,937,318
Other assets	6,652,809	-	6,652,729	6,652,729
Statutory deposits with central banks	5,315,286	5,315,286	-	5,315,286
Amounts due from holding company and ultimate holding company	2,361	-	2,361	2,361
Amounts due from subsidiaries	5,051	-	5,051	5,051
Amounts due from related companies	1,076,218	-	1,076,218	1,076,218
<b>Total</b>	<b>262,410,397</b>	<b>22,743,307</b>	<b>238,043,860</b>	<b>260,787,167</b>
<b>Financial liabilities</b>				
Deposits from customers	217,572,712	-	217,558,612	217,558,612
Deposits and placements of banks and other financial institutions	17,776,291	-	17,776,220	17,776,220
Repurchase agreements	6,709,187	-	6,704,591	6,704,591
Bills and acceptances payable	479,398	-	479,398	479,398
Amounts due to subsidiaries	-	-	-	-
Amounts due to related companies	1,177	-	1,177	1,177
Other liabilities	7,954,646	-	7,954,646	7,954,646
Recourse obligation on loans and financing sold to Cagamas	4,091,944	-	4,161,105	4,161,105
Bonds	10,693,327	-	10,774,782	10,774,782
Other borrowings	5,560,100	-	5,524,742	5,524,742
Subordinated obligations	10,399,084	-	10,502,674	10,502,674
<b>Total</b>	<b>281,237,866</b>	<b>-</b>	<b>281,437,947</b>	<b>281,437,947</b>

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**Notes to the Financial Statements  
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The following tables analyse within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2018 and 31 December 2017 but for which fair value is disclosed: (Continued)

	Carrying amount RM'000	The Bank Fair Value		
		Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>2017</b>				
<b>Financial assets</b>				
Cash and short-term funds	19,642,521	19,642,521	-	19,642,521
Reverse repurchase agreements	5,000,601	-	5,000,242	5,000,242
Deposits and placement with banks and other financial institutions	9,227,427	-	9,227,427	9,227,427
Financial investments held-to-maturity	28,698,561	-	28,879,673	28,879,673
Loans, advances and financing	176,897,036	-	175,712,098	175,712,098
Other assets	8,132,565	-	8,163,120	8,163,120
Statutory deposits with central banks	6,503,641	6,503,641	-	6,503,641
Amounts due from holding company and ultimate holding company	3,227	-	3,227	3,227
Amounts due from subsidiaries	63,827	-	63,827	63,827
Amounts due from related companies	1,105,782	-	1,105,782	1,105,782
<b>Total</b>	<b>255,275,188</b>	<b>26,146,162</b>	<b>228,155,396</b>	<b>254,301,558</b>
<b>Financial liabilities</b>				
Deposits from customers	207,442,951	-	207,344,671	207,344,671
Deposits and placements of banks and other financial institutions	16,164,109	-	16,153,931	16,153,931
Repurchase agreements	3,318,517	-	3,315,717	3,315,717
Bills and acceptances payable	1,086,455	-	1,086,455	1,086,455
Amounts due to subsidiaries	12,555	-	12,555	12,555
Amounts due to related companies	10,308	-	10,308	10,308
Other liabilities	10,430,514	-	10,430,514	10,430,514
Recourse obligation on loans and financing sold to Cagamas	3,122,948	-	3,184,235	3,184,235
Bonds, Sukuk and debentures	11,204,948	-	11,239,259	11,239,259
Other borrowings	5,697,728	-	5,643,872	5,643,872
Subordinated obligations	9,533,891	-	9,613,610	9,613,610
<b>Total</b>	<b>268,024,924</b>	<b>-</b>	<b>268,035,127</b>	<b>268,035,127</b>

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.4 Fair value estimation (Continued)**

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

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

##### **Short-term funds and placements with financial institutions**

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

##### **Debt instruments at amortised cost / Financial instruments held-to-maturity**

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

##### **Other assets**

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

##### **Loans, advances and financing**

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual impairment allowance being the expected recoverable amount.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.4 Fair value estimation (Continued)**

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

###### **Amount due (to)/from subsidiaries and related companies and amount due from holding company and ultimate holding company**

The estimated fair values of the amount due (to)/from subsidiaries and related companies and amount due from ultimate holding company approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

###### **Deposits from customers**

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

###### **Investment accounts of customers**

The estimated fair values of placements from investment accounts with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

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

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

###### **Obligations on securities sold under repurchase agreements**

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.4 Fair value estimation (Continued)**

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

###### **Bills and acceptances payable**

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

###### **Other liabilities**

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

###### **Recourse obligation on loans and financing sold to Cagamas**

The estimated fair values of loans and financing sold to Cagamas with maturities of less than six months approximate the carrying values. For loans and financing sold to Cagamas with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for loans and financing sold to Cagamas with similar risk profile.

###### **Bonds, Sukuk and debentures and other borrowings**

The estimated fair values of bonds, Sukuk and debentures and other borrowings with maturities of less than six months approximate the carrying values. For bonds, Sukuk and debentures and other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for bonds, Sukuk and debentures and other borrowings with similar risk profile.

###### **Subordinated obligations**

The fair values for the quoted subordinated obligations are obtained from quoted market prices while the fair values for unquoted subordinated obligations are estimated based on discounted cash flow models.



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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.4 Fair value estimation (Continued)**

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

###### **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.

##### **57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3)**

Certain credit derivatives products where valuation inputs are unobservable are valued using analytic/semi-analytic pricing models that model credit default with other market variables such as foreign exchange (“FX”) rates in a mathematically and theoretically consistent framework. These valuation models are the usual market standard used in credit derivatives pricing.

Credit derivatives inputs deemed to trigger Level 3 classification:

- Credit correlation between the underlying debt instruments
- Correlation between Credit and FX

Actual transactions, where available, are used to regularly recalibrate such unobservable parameters.

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for performing sensitivity analysis to determine such reserves:

- Credit correlation (reserve on a Level 3 input) –
  1. Long correlation positions will be shocked with lower correlation
  2. Short correlation positions will be shocked with higher correlation
- Credit and FX correlation (reserve on a Level 3 input) –
  1. Short Quanto CDS position shocked with larger negative correlation
  2. Long Quanto CDS position shocked with larger positive correlation

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

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

#### **57.4 Fair value estimation (Continued)**

##### **57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)**

- FX Volatility (reserve on 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

Fund derivatives which primarily include over-the-counter options on funds (mutual funds, unit trusts etc.) are valued using option pricing models such as Black-Scholes.

These models utilize pricing inputs which include underlying fund prices, dividend and yield curves. A Level 3 input for fund options is historical volatility i.e. volatility derived from the funds' 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.
- Lower volatility will result in higher fair value for net short positions

The fair values of structured deposits are typically valued using valuation techniques that incorporate observable market inputs. Certain credit linked structured deposits are fair valued using Level 3 inputs as the internal deposit rates of the relevant tenures are not observable.

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 57 Financial Risk Management (Continued)

#### 57.4 Fair value estimation (Continued)

##### 57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

###### (a) Financial instruments carried at fair value

2018 Description	Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable inputs	Range of unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
<b>Derivative financial instruments</b>						
- Credit derivatives (The Group)	917	(429)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit default/FX correlation	-55.00% to - 1.60%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
- Credit derivatives (The Bank)	917	(8,805)				
- Equity derivatives (The Group )	215,364	(108,715)	Option pricing	Equity volatility	11.42% to 215.44%	Higher volatility results in higher/lower fair value depending on the net long/short positions.
- Equity derivatives (The Bank)	215,364	(108,715)				
<b>Financial assets at fair value through profit or loss</b>						
- Unquoted shares and private equity funds (The Group)	1,214,705	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.
- Promissory notes (The Group and The Bank)	413,965	-	Weighted probability valuation based on market comparables and discounted cash flow	Estimated revenue of underlying asset, discount factor and probability assigned to each cash flows	Not applicable	Higher estimated revenue and lower discount factor would result in higher valuation. Probability assigned would result in higher/lower fair value depending on the amount of cash flows generated for each cash flows.
- Unquoted shares and private equity funds (The Bank)	1,202,440	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.
<b>Debt instrument at fair value through other comprehensive income</b>						
- Unit trust fund (The Group)	1	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.
<b>Equity instruments at fair value through other comprehensive income</b>						
- Unquoted shares and private equity funds (The Group)	358,935	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.
- Unquoted shares and private equity funds (The Bank)	354,507					

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for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.4 Fair value estimation (Continued)****57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)****(a) Financial instruments carried at fair value (Continued)**

2017 Description	Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable inputs	Range of unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
<b>Derivative financial instruments</b>						
- Credit derivatives (The Group)	725	(464)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit default/FX correlation	-55.00% to -8.48%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
- Credit derivatives (The Bank)	725	(7,958)				
- Fund derivatives (The Group and The Bank)	620	(2,917)	Option pricing	Fund volatility	1.00% to 3.33%	Higher volatility results in lower fair value based on a net short fund option position
- Equity derivatives (The Group and the Bank)	55,051	(20,723)	Option pricing	Equity volatility	7.45% to 96.41%	Higher volatility results in higher/lower fair value depending on the net long/short positions
<b>Financial assets held for trading</b>						
- Unquoted shares and private equity funds (The Group and the Bank)	164,243	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
<b>Financial investments available-for-sale</b>						
- Unquoted shares and private equity funds (The Group)	1,331,831	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
- Unquoted shares and private equity funds (The Bank)	1,313,795					
<b>Financial liabilities designated at fair value The Group and the Bank</b>						
- Credit linked structured deposits	Not applicable	(395,058)	Discounted cash flow	Internal deposit rates	1.26% to 3.57%	Higher internal deposit rates results in decrease in fair value measurement

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.4 Fair value estimation (Continued)****57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)****(a) Financial instruments carried at fair value (Continued)****Sensitivity analysis for Level 3****The Group**

2018	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to:	
		Favorable changes RM'000	Unfavorable changes RM'000
<b>Derivative financial instruments</b>			
Trading derivatives			
- Credit derivatives	+10%	3	-
	-10%	-	(4)
- Equity derivatives	+25%	6,391	-
	-25%	-	(7,557)
<b>Financial assets at fair value through profit or loss</b>			
Promissory notes			
	+10%	20,566	-
	-10%	-	(14,795)
<b>Total</b>		<b>26,960</b>	<b>(22,356)</b>
<b>2017</b>			
<b>Derivative financial instruments</b>			
Trading derivatives			
- Credit derivatives	+10%	0 *	-
	-10%	-	(0) **
- Fund derivatives	+25%	-	(770)
	-25%	756	-
- Equity derivatives	+25%	7,651	-
	-25%	-	(6,771)
<b>Financial liabilities designated at fair value</b>			
- Credit linked structured deposits			
	+ 1%	947	-
	- 1%	-	(947)
<b>Total</b>		<b>9,354</b>	<b>(8,488)</b>

\* denoted favorable changes of RM150

\*\* denoted unfavorable changes of RM190

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****57 Financial Risk Management (Continued)****57.4 Fair value estimation (Continued)****57.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)****(a) Financial instruments carried at fair value (Continued)****Sensitivity analysis for Level 3****The Bank**

2018	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to:	
		Favorable changes RM'000	Unfavorable changes RM'000
<b>Derivative financial instruments</b>			
Trading derivatives			
- Credit derivatives	+10%	13	-
	-10%	-	(14)
- Equity derivatives	+25%	6,391	-
	-25%	-	(7,557)
<b>Financial assets at fair value through profit or loss</b>			
Promissory notes			
	+10%	20,566	-
	-10%	-	(14,795)
<b>Total</b>		<b>26,970</b>	<b>(22,366)</b>

2017	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to:	
		Favorable changes RM'000	Unfavorable changes RM'000
<b>Derivative financial instruments</b>			
Trading derivatives			
- Credit derivatives	+10%	13	-
	-10%	-	(12)
- Fund derivatives	+25%	-	(770)
	-25%	756	-
- Equity derivatives	+25%	7,651	-
	-25%	-	(6,771)
<b>Financial liabilities designated at fair value</b>			
- Credit linked structured deposits			
	+ 1%	947	-
	- 1%	-	(947)
<b>Total</b>		<b>9,367</b>	<b>(8,500)</b>

\* denoted favorable changes of RM150

\*\* denoted unfavorable changes of RM190

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****58 Non-current assets/disposal groups held for sale**

		The Group		The Bank	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
<b>Non-current assets held for sale:</b>					
- Property plant and equipment	23	13,775	4,199	9,576	-
Total non-current assets held for sale		<u>13,775</u>	<u>4,199</u>	<u>9,576</u>	<u>-</u>

Property, plant and equipment of the Group and the Bank where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2019.

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 59 The operations of Islamic Banking

#### Statements of Financial Position as at 31 December 2018

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Assets</b>					
Cash and short-term funds	(a)	11,980,341	13,976,616	2,191,725	1,817,616
Deposits and placements with banks and other financial institutions	(b)	433,141	1,411,098	477,987	1,418,303
Financial assets at fair value through profit or loss	(c)	3,033,103	-	107,759	-
Debt instruments at fair value through other comprehensive income	(d)	3,177,328	-	420,781	-
Equity instruments at fair value through other comprehensive income	(e)	575	-	-	-
Debt Instruments at amortised cost	(f)	6,620,612	-	75,889	-
Financial assets held for trading	(g)	-	3,547,420	-	322,282
Financial investments available-for-sale	(h)	-	2,383,164	-	459,437
Financial investments held-to-maturity	(i)	-	4,961,207	-	228,817
Islamic derivative financial instruments	(j)(i)	593,855	653,828	29,472	19,521
Financing, advances and other financing/loans	(k)	76,622,454	62,984,440	6,052,132	5,433,031
Other assets	(l)	1,643,453	915,820	919,888	311,730
Deferred taxation	(m)	81,133	17,794	-	-
Amount due from conventional operations		1,369,167	1,278,436	-	-
Amount due from related companies		2,357,778	1,215,664	2,357,158	1,215,250
Statutory deposits with Bank Negara Malaysia	(n)	2,076,422	1,554,286	-	-
Goodwill	(o)	136,000	136,000	-	-
Intangible assets	(p)	71,572	79,149	36	58
Property, plant and equipment	(q)	2,764	6,038	7	7
<b>Total assets</b>		<b>110,199,698</b>	<b>95,120,960</b>	<b>12,632,834</b>	<b>11,226,052</b>
<b>Liabilities</b>					
Deposits from customers	(r)	80,056,465	68,915,949	4,124,909	4,186,971
Investment accounts of customers	(s)	1,769,270	907,763	-	-
Deposits and placements of banks and other financial institutions	(t)	3,147,380	1,880,964	2,244,857	2,381,667
Investment accounts due to designated financial institutions	(u)	8,216,809	8,145,684	-	-
Financial liabilities designated at fair value through profit or loss	(v)	21,918	2,234	-	-
Islamic derivative financial instruments	(j)(i)	625,112	701,912	26,137	9,152
Other liabilities	(w)	4,494,432	3,777,163	4,088,041	3,157,681
Recourse obligation on loans and financing sold to Cagamas	(x)	1,915,503	2,072,300	-	-
Sukuk	(y)	358,265	463,257	-	-
Amount due to related companies		1,741,236	1,187,453	1,643,607	1,090,910
Amount due to conventional operations		-	20,588	-	-
Provision for taxation	(z)	83,479	54,389	-	-
Subordinated Sukuk	(aa)	615,033	615,006	-	-
<b>Total liabilities</b>		<b>103,044,902</b>	<b>88,744,662</b>	<b>12,127,551</b>	<b>10,826,381</b>
<b>Equity</b>					
Ordinary share capital	(ab)	1,000,000	1,000,000	-	-
Perpetual preference shares	(ac)	220,000	220,000	-	-
Reserves	(ad)	5,934,796	5,156,298	505,283	399,671
<b>Total equity</b>		<b>7,154,796</b>	<b>6,376,298</b>	<b>505,283</b>	<b>399,671</b>
<b>Total equity and liabilities</b>		<b>110,199,698</b>	<b>95,120,960</b>	<b>12,632,834</b>	<b>11,226,052</b>
<b>Restricted Agency Investment Account(*)</b>	(ae)	<b>6,230,998</b>	-	-	-
<b>Total Islamic Banking Assets</b>		<b>116,430,696</b>	<b>95,120,960</b>	<b>12,632,834</b>	<b>11,226,052</b>
<b>Commitment and contingencies</b>	(j)(ii)	<b>62,945,482</b>	<b>56,794,465</b>	<b>3,727,159</b>	<b>1,582,411</b>

\* The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 2 February 2018



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****Statements of Income for the financial year ended 31 December 2018**

	Note	The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income derived from investment of depositors' funds and others	(af)	<b>3,643,508</b>	3,160,230	<b>154,404</b>	224,556
Income derived from investment of investment accounts	(ag)	<b>555,563</b>	252,057	-	-
Net income derived from investment of shareholders' funds	(ah)	<b>490,550</b>	317,465	<b>76,014</b>	5,716
Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans	(ai)	<b>(160,836)</b>	(121,240)	<b>(4,971)</b>	(35,478)
Expected credit losses for commitments and contingencies (made)/written-back	(w)(i)	<b>(8,229)</b>	-	<b>230</b>	-
Other expected credit losses/allowance written-back/ (made) for other impairment losses	(aj)	<b>1,673</b>	(1)	<b>2,147</b>	-
Total distributable income		<b>4,522,229</b>	3,608,511	<b>227,824</b>	194,794
Income attributable to depositors	(ak)	<b>(2,374,437)</b>	(1,942,619)	<b>(98,563)</b>	(72,240)
Profit distributed to investment account holder	(al)	<b>(438,686)</b>	(188,508)	-	-
Total net income		<b>1,709,106</b>	1,477,384	<b>129,261</b>	122,554
Personnel expenses	(am)	<b>(30,741)</b>	(33,701)	<b>(2,990)</b>	(2,881)
Other overheads and expenditures	(an)	<b>(578,777)</b>	(512,362)	<b>(1,315)</b>	(835)
Profit before taxation and zakat		<b>1,099,588</b>	931,321	<b>124,956</b>	118,838
Taxation and zakat	(ao)	<b>(188,825)</b>	(172,544)	-	-
<b>Profit after taxation and zakat</b>		<b>910,763</b>	758,777	<b>124,956</b>	118,838

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****Statements of Comprehensive Income for the financial year ended 31 December 2018**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the financial year	910,763	758,777	124,956	118,838
Other comprehensive income/(expense):				
<b>Items that will not be reclassified to profit or loss</b>				
Equity instruments at fair value through other comprehensive income	(130)	-	-	-
- Net loss from change in fair value	(130)	-	-	-
	(130)	-	-	-
<b>Items that may be reclassified to profit or loss</b>				
Revaluation reserve of financial investments available-for-sale	-	14,458	-	9,664
- Net gain from change in fair value	-	19,344	-	10,230
- Realised gain transferred to statement of income on disposal	-	(4,621)	-	(1,840)
- Income tax effects	-	(1,523)	-	-
- Currency translation difference	-	1,258	-	1,274
Debt instruments at fair value through other comprehensive income	199	-	(6,485)	-
- Net gain/(loss) from change in fair value	9,030	-	(6,501)	-
- Realised gain transferred to statement of income on disposal	(7,456)	-	-	-
- Changes in expected credit losses	563	-	16	-
- Income tax effects	(1,938)	-	-	-
Exchange fluctuation reserves	611	(4,846)	2,570	(15,043)
	810	9,612	(3,915)	(5,379)
Other comprehensive income/(expense) for the financial period, net of tax	680	9,612	(3,915)	(5,379)
<b>Total comprehensive income for the financial year</b>	<b>911,443</b>	<b>768,389</b>	<b>121,041</b>	<b>113,459</b>
Total net income	1,709,106	1,477,384	129,261	122,554
Add:				
Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans	160,836	121,240	4,971	35,478
Expected credit losses for commitments and contingencies (written-back)/made	(1,673)	1	(2,147)	-
Other expected credit losses/allowance made/ (written-back) for other impairment losses	8,229	-	(230)	-
	1,876,498	1,598,625	131,855	158,032
Elimination for transactions with conventional operations	394,843	205,308	17,541	11,307
	2,271,341	1,803,933	149,396	169,339

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2018**

	Share capital RM'000	Perpetual preference shares RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total RM'000
<b>The Group</b>										
At 1 January 2018	1,000,000	220,000	(6,440)	(8,793)	-	-	291,600	767	4,879,164	6,376,298
Effect of adopting MFRS 9	-	-	-	8,793	(7,130)	130	(45,635)	-	(89,300)	(133,142)
<b>At 1 January 2018, as restated</b>	<b>1,000,000</b>	<b>220,000</b>	<b>(6,440)</b>	<b>-</b>	<b>(7,130)</b>	<b>130</b>	<b>245,965</b>	<b>767</b>	<b>4,789,864</b>	<b>6,243,156</b>
Profit for the financial year	-	-	-	-	-	-	-	-	910,763	910,763
Other comprehensive income/(expense), net of tax	-	-	611	-	199	(130)	-	-	-	680
- debt instruments at fair value through other comprehensive income	-	-	-	-	199	-	-	-	-	199
- equity instruments at fair value through other comprehensive income	-	-	-	-	-	(130)	-	-	-	(130)
- currency translation difference	-	-	611	-	-	-	-	-	-	611
Total comprehensive income/(expense) for the financial year	-	-	611	-	199	(130)	-	-	910,763	911,443
Share-based payment expense	-	-	-	-	-	-	-	197	-	197
Transfer to regulatory reserve	-	-	-	-	-	-	99,711	-	(99,711)	-
<b>At 31 December 2018</b>	<b>1,000,000</b>	<b>220,000</b>	<b>(5,829)</b>	<b>-</b>	<b>(6,931)</b>	<b>-</b>	<b>345,676</b>	<b>964</b>	<b>5,600,916</b>	<b>7,154,796</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2018 (Continued)**

	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total RM'000
<b>The Group</b>									
At 1 January 2017	1,000,000	220,000	1,083,035	(1,594)	(23,251)	201,344	580	3,127,608	5,607,722
Profit for the financial year	-	-	-	-	-	-	-	758,777	758,777
Other comprehensive expense, net of tax	-	-	-	(4,846)	14,458	-	-	-	9,612
- financial investments available-for-sale	-	-	-	-	14,458	-	-	-	14,458
- currency translation difference	-	-	-	(4,846)	-	-	-	-	(4,846)
Total comprehensive (expense)/income for the financial year	-	-	-	(4,846)	14,458	-	-	758,777	768,389
Share-based payment expense	-	-	-	-	-	-	187	-	187
Transfer from statutory reserve	-	-	(1,083,035)	-	-	-	-	1,083,035	-
Transfer to regulatory reserve	-	-	-	-	-	90,256	-	(90,256)	-
At 31 December 2017	1,000,000	220,000	-	(6,440)	(8,793)	291,600	767	4,879,164	6,376,298

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2018  
(Continued)**

	<u>Non-distributable</u>		<u>Distributable</u>		Total RM'000
	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Debt instruments at fair value through other comprehensive income RM'000	Retained earnings RM'000	
<b>The Bank</b>					
At 1 January 2018	17,979	10,101	-	371,591	399,671
Effect of adopting MFRS 9	-	(10,101)	2,950	(8,278)	(15,429)
At 1 January 2018, as restated	17,979	-	2,950	363,313	384,242
Profit for the financial year	-	-	-	124,956	124,956
Currency translation difference	2,570	-	-	-	2,570
- debt instruments at fair value through other comprehensive income	-	-	(6,485)	-	(6,485)
At 31 December 2018	20,549	-	(3,535)	488,269	505,283

	<u>Non-distributable</u>		<u>Distributable</u>		Total RM'000
	Exchange fluctuation reserves RM'000	Revaluation reserve - financial investments available for-sale RM'000	Retained earnings RM'000		
<b>The Bank</b>					
At 1 January 2017		33,022	437	252,753	286,212
Profit for the financial year		-	-	118,838	118,838
Currency translation difference		(15,043)	-	-	(15,043)
Financial investments available-for-sale		-	9,664	-	9,664
At 31 December 2017		17,979	10,101	371,591	399,671

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****Statements of Cash Flow for the financial year ended 31 December 2018**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	1,099,588	931,321	124,956	118,838
Adjustments for:				
Depreciation of property, plant and equipment	3,794	5,867	10	16
Property, plant and equipment written off	-	217	-	-
Amortisation of intangible assets	9,794	8,103	37	35
Other expected credit losses/allowance (written-back)/ made for other impairment losses	(1,673)	1	(2,147)	-
Net gain from disposal of financial investments available-for-sale	-	(4,621)	-	(1,840)
Share-based payment expense	197	186	197	-
Unrealised loss from financial assets at fair value through profit or loss	567	-	1,107	-
Unrealised gain/(loss) on Islamic derivative financial instruments	20,165	(9,260)	7,257	(347)
Unrealised gain on foreign exchange	(267,998)	(90,124)	(273,797)	-
Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans	214,164	174,345	4,971	35,478
Unrealised gain from revaluation of financial assets held for trading	-	(13,026)	-	(11,098)
Unrealised loss from financial liabilities designated at fair value	-	52	-	-
Profit expense on recourse obligation on loans and financing sold to Cagamas	84,259	59,912	-	-
Accretion of discount less amortisation of premium	(84,150)	(98,436)	1,170	247
Profit income from financial investments available-for-sale	-	(88,688)	-	(11,800)
Profit income from financial investments held-to-maturity	-	(178,550)	-	(6,805)
Profit income from debt instruments at fair value through other comprehensive income	(122,233)	-	(12,809)	-
Profit income from debt instruments at amortised cost	(245,219)	-	(5,368)	-
Net loss from sale of debt instruments at fair value through other comprehensive income	(7,456)	-	-	-
Net loss/(gain) from hedging derivatives	2,248	1,305	-	(142)
Profit expense on subordinated Sukuk	32,131	27,359	-	-
Profit expense on Sukuk	13,972	18,390	-	-
Expected credit losses for commitments and contingencies made	8,229	-	(230)	-
	<b>760,379</b>	<b>744,353</b>	<b>(154,646)</b>	<b>122,582</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****Statements of Cash Flow for the financial year ended 31 December 2018 (Continued)**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(Increase)/Decrease in operating assets</b>				
Deposits and placements with banks and other financial institutions	<b>976,446</b>	(980,150)	<b>938,820</b>	(866,954)
Financial assets held for trading	-	(486,020)	-	(92,045)
Financial assets at fair value through profit or loss	<b>710,350</b>	-	<b>323,836</b>	-
Financing, advances and other financing/loans	<b>(13,978,296)</b>	(11,619,100)	<b>(651,416)</b>	(1,101,602)
Other assets	<b>(726,084)</b>	577,655	<b>(604,244)</b>	298,365
Amount due from conventional operations	<b>(90,731)</b>	-	-	-
Amount due from related companies	<b>(1,142,114)</b>	2,359,676	<b>(1,141,908)</b>	2,359,194
Statutory deposits with Bank Negara Malaysia	<b>(522,136)</b>	(169,427)	-	-
<b>Increase/(Decrease) in operating liabilities</b>				
Deposits from customers	<b>11,140,516</b>	12,886,611	<b>(62,062)</b>	840,511
Investment accounts of customers	<b>861,507</b>	653,355	-	-
Deposits and placements of banks and other financial institutions	<b>1,266,416</b>	(355,278)	<b>(136,810)</b>	(95,033)
Investment accounts due to designated financial institutions	<b>71,125</b>	4,233,673	-	-
Islamic derivative financial instruments	<b>(39,240)</b>	(49,327)	<b>(223)</b>	(8,334)
Financial liabilities designated at fair value through profit or loss	<b>19,684</b>	1	-	-
Amount due to conventional operations	<b>(20,588)</b>	(474,499)	-	-
Amount due to related companies	<b>553,783</b>	137,677	<b>552,697</b>	148,266
Other liabilities	<b>909,480</b>	(644,124)	<b>1,203,738</b>	(1,019,002)
Cash flows generated from operations	<b>750,497</b>	6,815,076	<b>267,782</b>	585,948
Taxation and zakat paid	<b>(187,658)</b>	(167,668)	-	-
Cash flows generated from operating activities	<b>562,839</b>	6,647,408	<b>267,782</b>	585,948

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****Statements of Cash Flow for the financial year ended 31 December 2018 (Continued)**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activities</b>				
Net (purchase)/redemption of financial investments held-to-maturity	-	(1,378,990)	-	5,342
Net purchase of financial investments available-for-sale	-	(453,125)	-	(154,925)
Net purchase of debt instruments at fair value through other comprehensive income	(851,727)	-	(63,200)	-
Net redemption of equity instruments at fair value through other comprehensive income	131	-	-	-
Net purchase of debt Instruments at amortised cost	(1,734,025)	-	157,585	-
Profit income from financial investments held-to-maturity	-	160,880	-	6,593
Profit income from financial investments available-for-sale	-	96,146	-	11,791
Profit income from debt instruments at fair value through other comprehensive income	88,306	-	(3,411)	-
Profit income from debt instruments at amortised cost	317,496	-	(189)	-
Purchase of property, plant and equipment	(520)	(2,517)	(10)	-
Purchase of intangible assets	(2,217)	(6,174)	(15)	(55)
Cash flows (used in)/generated from investing activities	<u>(2,182,556)</u>	<u>(1,583,780)</u>	<u>90,760</u>	<u>(131,254)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of subordinated Sukuk	-	300,000	-	-
Proceeds from issuance of recourse obligation on loans and financing sold to Cagamas	-	1,157,000	-	-
Repayment of recourse obligation on loans and financing sold to Cagamas	(156,994)	(445,500)	-	-
Redemption of Sukuk	(104,000)	(124,000)	-	-
Issuance of Sukuk	-	1,000	-	-
Profit expense paid on recourse obligation on loans and financing sold to Cagamas	(84,062)	(52,502)	-	-
Profit expense paid on subordinated Sukuk	(32,105)	(30,585)	-	-
Profit expense paid on Sukuk	(14,964)	(18,621)	-	-
Repayment of subordinated Sukuk	-	(300,000)	-	-
Cash flows (used in)/generated from financing activities	<u>(392,125)</u>	<u>486,792</u>	<u>-</u>	<u>-</u>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****Statements of Cash Flow for the financial year ended 31 December 2018 (Continued)**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net (decrease)/increase in cash and cash equivalents	(2,011,842)	5,550,420	358,542	454,694
Effects of exchange rate differences	15,567	1,044	15,567	(9,248)
Cash and cash equivalents at beginning of financial year	13,976,616	8,425,152	1,817,616	1,372,170
Cash and cash equivalents at end of financial year	11,980,341	13,976,616	2,191,725	1,817,616
Cash and cash equivalents comprise:				
Cash and short-term funds	(a) 11,980,341	13,976,616	2,191,725	1,817,616

- (i) An analysis of debt movements for the financial year ended 31 December 2018 and 31 December 2017 is as follows:

The Group	Sukuk RM'000	Recourse obligation on loans and financing sold to Cagamas	Subordinated Sukuk	Total
		RM'000	RM'000	RM'000
At 1 January 2018	463,257	2,072,300	615,006	3,150,563
Repayment and redemption	(104,000)	(156,994)	-	(260,994)
Profit paid	(14,964)	(84,062)	(32,105)	(131,131)
Other non cash movement	13,972	84,259	32,132	130,363
At 31 December 2018	358,265	1,915,503	615,033	2,888,801

The Group	Sukuk RM'000	Recourse obligation on loans and financing sold to Cagamas	Subordinated Sukuk	Total
		RM'000	RM'000	RM'000
At 1 January 2017	586,488	1,353,390	617,563	2,557,441
Proceeds from issuance	1,000	1,157,000	300,000	1,458,000
Repayment and redemption	(124,000)	(445,500)	(300,000)	(869,500)
Profit paid	(18,621)	(52,502)	(30,585)	(101,708)
Other non cash movement	18,390	59,912	28,028	106,330
At 31 December 2017	463,257	2,072,300	615,006	3,150,563

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(a) Cash and short-term funds**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	2,131,286	3,181,179	1,984,325	1,756,772
Money at call and deposit placements maturing within one month	9,849,075	10,795,437	207,400	60,844
	<u>11,980,361</u>	<u>13,976,616</u>	<u>2,191,725</u>	<u>1,817,616</u>
Less: Expected credit loss	(20)	-	-	-
	<u>11,980,341</u>	<u>13,976,616</u>	<u>2,191,725</u>	<u>1,817,616</u>

**(b) Deposits and placements with banks and other financial institutions**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Licensed banks	433,306	1,411,098	477,987	1,418,303
Less: Expected credit loss	(165)	-	-	-
	<u>433,141</u>	<u>1,411,098</u>	<u>477,987</u>	<u>1,418,303</u>

**(c) Financial assets at fair value through profit or loss**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Fair Value</b>				
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Government investment issue	91,571	-	-	-
Islamic negotiable instruments of deposit	2,780,790	-	-	-
Commercial paper	9,603	-	-	-
	<u>2,881,964</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Quoted securities:</b>				
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	26	-	26	-
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Corporate bond	43,380	-	-	-
<u>Outside Malaysia</u>				
Private equity and unit trusts funds	107,733	-	107,733	-
	<u>3,033,103</u>	<u>-</u>	<u>107,759</u>	<u>-</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(d) Debt instruments at fair value through other comprehensive income**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Fair Value</b>				
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Malaysian Government Securities	5,062	-	-	-
Cagamas bonds	66,607	-	-	-
Government Investment Issues	762,319	-	-	-
Commercial papers	24,271	-	-	-
	<u>858,259</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Corporate bond and Sukuk	1,973,925	-	151,942	-
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	345,144	-	268,839	-
	<u>3,177,328</u>	<u>-</u>	<u>420,781</u>	<u>-</u>
Less : Allowance for impairment losses	-	-	-	-
	<u>3,177,328</u>	<u>-</u>	<u>420,781</u>	<u>-</u>

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

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

The Group	12-month expected credit	Lifetime expected credit	Lifetime expected	Total
	losses (Stage 1)	losses - not credit impaired	credit losses	
	(Stage 1)	(Stage 2)	- Credit impaired	
	RM'000	RM'000	RM'000	RM'000
<b>Debt instruments at fair value through other comprehensive income</b>				
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	570	-	-	570
<b>Adjusted 1 January 2018</b>	<b>570</b>	<b>-</b>	<b>-</b>	<b>570</b>
Changes in expected credit losses due to transferred within stages:	7,445	(7,445)	-	-
Transferred to Stage 1	7,446	(7,446)	-	-
Transferred to Stage 2	(1)	1	-	-
<b>Total charge to Income Statement:</b>	<b>(6,882)</b>	<b>7,445</b>	<b>-</b>	<b>563</b>
New financial assets purchased	4,817	-	-	4,817
Financial assets that have been derecognised	(587)	-	-	(587)
Change in credit risk	(11,112)	7,445	-	(3,667)
<b>At 31 December 2018</b>	<b>1,133</b>	<b>-</b>	<b>-</b>	<b>1,133</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(e) Equity instruments at fair value through other comprehensive income**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Shares	575	-	-	-

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

	Note	The Group	The Bank
		2018	2018
		RM'000	RM'000
<b>Unquoted securities:</b>			
Other	(a)	575	-
		575	-

- (a) Included in other are unquoted equity instruments at fair value through other comprehensive income in financial institution sector.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(f) Debt instruments at amortised cost**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Money market instruments</b>				
<b>Unquoted:</b>				
Cagamas bonds	40,326	-	-	-
Local Government securities	101,341	-	-	-
Malaysian Government Investment Issue	2,159,881	-	-	-
	<u>2,301,548</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Corporate Sukuk	4,238,405	-	-	-
<u>Outside Malaysia</u>				
Corporate bond	76,092	-	76,092	-
	<u>4,314,497</u>	<u>-</u>	<u>76,092</u>	<u>-</u>
Amortisation of premium net of accretion of discount	4,977	-	-	-
Less : Expected credit losses	(410)	-	(203)	-
	<u>6,620,612</u>	<u>-</u>	<u>75,889</u>	<u>-</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(f) Debt instruments at amortised cost (Continued)**

Expected credit losses movement for debt instruments at amortised cost:

The following expected credit losses is not recognised in the statement of financial position as the carrying amount of debt instruments at amortised cost.

The Group	Lifetime expected credit		Total RM'000
	12-month expected credit losses (Stage 1) RM'000	losses - not credit impaired (Stage 2) RM'000	
At 1 January 2018	-	-	-
Effect of adopting MFRS 9	1,283	-	1,283
<b>Adjusted 1 January 2018</b>	<b>1,283</b>	<b>-</b>	<b>1,283</b>
Changes in expected credit losses due to transferred within stages:			
Transferred to Stage 2	(46)	46	-
<b>Total charge to Income Statement:</b>	<b>(817)</b>	<b>(46)</b>	<b>(863)</b>
New financial assets purchased	935	-	935
Financial assets that have been derecognised	(23)	(154)	(177)
Change in credit risk	(1,729)	108	(1,621)
Exchange fluctuation	(10)	-	(10)
<b>At 31 December 2018</b>	<b>410</b>	<b>-</b>	<b>410</b>

The Bank	Lifetime expected credit		Total RM'000
	12-month expected credit losses (Stage 1) RM'000	losses - not credit impaired (Stage 2) RM'000	
At 1 January 2018	-	-	-
Effect of adopting MFRS 9	900	-	900
<b>Adjusted 1 January 2018</b>	<b>900</b>	<b>-</b>	<b>900</b>
<b>Total charge to Income Statement:</b>	<b>(687)</b>	<b>-</b>	<b>(687)</b>
Change in credit risk	(687)	-	(687)
Exchange fluctuation	(10)	-	(10)
<b>At 31 December 2018</b>	<b>203</b>	<b>-</b>	<b>203</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(g) Financial assets held for trading**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Money market instruments</b>				
<b>Unquoted</b>				
Government Investment Issues	-	347,099	-	-
Malaysian Government treasury bills	-	1,357	-	-
Islamic negotiable instruments of deposits	-	2,764,951	-	-
Islamic Cagamas bonds	-	50,759	-	-
Other Government Securities	-	41,546	-	41,546
	-	3,205,712	-	41,546
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk	-	136,022	-	75,050
<u>Outside Malaysia</u>				
Corporate Sukuk	-	205,686	-	205,686
	-	3,547,420	-	322,282

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(h) Financial investments available-for-sale**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Money market instruments</b>				
<b>Unquoted</b>				
Government Investment Issues	-	355,065	-	-
Islamic Cagamas bonds	-	5,524	-	-
Malaysian Government Sukuk	-	22,107	-	-
	-	382,696	-	-
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk	-	1,549,527	-	75,611
Placements with Islamic Banking and Finance Institute Malaysia	-	575	-	-
<u>Outside Malaysia</u>				
Corporate Sukuk	-	339,670	-	273,260
Private equity funds	-	113,787	-	113,657
Less: Allowance for impairment losses	-	(3,091)	-	(3,091)
	-	2,383,164	-	459,437

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

	The Group	The Bank
	2017 RM'000	2017 RM'000
At 1 January	3,420	3,420
Exchange fluctuation	(329)	(329)
At 31 December	3,091	3,091



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(i) Financial investments held-to-maturity**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Money market instruments</b>				
<b>Unquoted</b>				
Government Investment Issues	-	1,556,967	-	-
Khazanah bond	-	12,662	-	-
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk	-	3,157,520	-	-
<u>Outside Malaysia</u>				
Corporate Sukuk	-	228,817	-	228,817
Amortisation of premium				
less accretion of discounts	-	5,241	-	-
	-	4,961,207	-	228,817

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

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

The fair value and carrying amount of the financial investments as at 31 December 2017 are RM748,341,000 and RM738,373,000 respectively. The fair value gains that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM14,530,000.

As at 31 December 2017, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM17,532,000.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(j) Islamic derivative financial instruments, commitments and contingencies****(i) Islamic derivative financial instruments**

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

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

At 31 December 2018	The Group Fair values			The Bank Fair values		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	10,744,140	240,262	(219,436)	548,219	3,460	(5,321)
Currency swaps	11,272,501	56,042	(67,012)	2,920,852	23,682	(19,071)
Currency spot	33,762	42	(18)	3,540	18	-
Currency option	18,104	99	(99)	-	-	-
Cross currency profit rate swaps	2,828,280	146,039	(141,964)	42,020	1,982	(1,745)
	24,896,787	442,484	(428,529)	3,514,631	29,142	(26,137)
<u>Profit rate derivatives</u>						
Islamic profit rate swaps	16,612,242	146,985	(140,329)	212,528	170	-
<u>Equity related derivatives</u>						
Equity swap	209,586	49	(49)	-	-	-
Equity options	48,816	2,060	(2,060)	-	-	-
	258,402	2,109	(2,109)	-	-	-
<u>Credit related derivatives</u>						
Total return swaps	41,500	527	(527)	-	-	-
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,384,006	1,750	(53,618)	-	160	-
Total derivative assets/(liabilities)	45,192,937	593,855	(625,112)	3,727,159	29,472	(26,137)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(j) Islamic derivative financial instruments, commitments and contingencies  
(Continued)****(i) Islamic derivative financial instruments (Continued)**

	The Group Fair values			The Bank Fair values		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
<b>At 31 December 2017</b>						
<u>Trading derivatives</u>						
Foreign exchange derivatives						
Currency forward	7,565,881	153,933	(223,012)	515,141	9,388	(3,084)
Currency swaps	10,748,117	193,300	(97,959)	721,023	7,000	(3,424)
Currency spot	11,778	19	(9)	1,023	1	-
Cross currency profit rate swaps	3,252,984	185,841	(180,773)	41,970	2,974	(2,644)
	21,578,760	533,093	(501,753)	1,279,157	19,363	(9,152)
<u>Profit rate derivatives</u>						
Islamic profit rate swaps	17,796,260	117,156	(107,951)	303,254	158	-
<u>Equity related derivatives</u>						
Equity options	338,078	2,953	(2,953)	-	-	-
<u>Credit related derivatives</u>						
Total return swaps	50,000	626	(626)	-	-	-
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,593,712	-	(88,629)	-	-	-
<b>Total derivative assets/(liabilities)</b>	<b>43,356,810</b>	<b>653,828</b>	<b>(701,912)</b>	<b>1,582,411</b>	<b>19,521</b>	<b>(9,152)</b>

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for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(j) Islamic derivative financial instruments, commitments and contingencies (Continued)****(ii) Commitments and contingencies**

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

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

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

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>Principal</b>	Principal	<b>Principal</b>	Principal
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<u>Credit related</u>				
Direct credit substitutes	<b>247,949</b>	229,687	-	-
Certain transaction-related contingent items	<b>755,977</b>	712,390	-	-
Short-term self-liquidating trade-related contingencies	<b>53,944</b>	23,014	-	-
Irrevocable commitments to extend credit:				
- maturity not exceeding one year	<b>9,526,685</b>	6,901,712	-	-
- maturity exceeding one year	<b>7,127,240</b>	5,507,311	-	-
Miscellaneous commitments and contingencies	<b>40,750</b>	63,541	-	-
Total credit-related commitments and contingencies	<b>17,752,545</b>	13,437,655	-	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(j) Islamic derivative financial instruments, commitments and contingencies (Continued)****(ii) Commitments and contingencies (Continued)**

	The Group		The Bank	
	2018	2017	2018	2017
	Principal	Principal	Principal	Principal
	RM'000	RM'000	RM'000	RM'000
<u>Treasury related</u>				
Foreign exchange related contracts:				
- less than one year	19,783,185	16,314,164	3,472,611	1,237,187
- one year to less than five years	3,980,568	4,040,233	42,020	41,970
- five years and above	1,133,034	1,224,363	-	-
	24,896,787	21,578,760	3,514,631	1,279,157
Profit rate related contracts:				
- less than one year	5,087,832	3,567,420	-	303,254
- one year to less than five years	13,556,360	16,848,542	212,528	-
- five years and above	1,352,056	974,010	-	-
	19,996,248	21,389,972	212,528	303,254
Equity related contracts:				
- less than one year	23,786	-	-	-
- one year to less than five years	184,640	61,926	-	-
- five years and above	49,976	276,152	-	-
	258,402	338,078	-	-
Credit related contracts:				
- five years and above	41,500	50,000	-	-
	41,500	50,000	-	-
Total treasury-related commitments and contingencies				
	45,192,937	43,356,810	3,727,159	1,582,411
	62,945,482	56,794,465	3,727,159	1,582,411

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans****(i) By type and Shariah contract:**

	Bai' Bithaman				Tawarruq	Ijarah Muntahiah Bi al-Tamlik *	Al-Ijarah Thumma al- Bai #	Mudharabah	Qard	Ujrah	Total
	Murabahah	Ajil	Bai' al-'inah	Bai' al-Dayn							
<b>At amortised cost</b>											
Cash line^	-	5,704	-	-	891,281	-	-	-	1,455	-	898,440
Term financing											
- House financing	-	5,786,483	-	-	11,099,048	1,357,811	-	-	-	-	18,243,342
- Syndicated financing	470,952	-	162,279	-	1,982,505	7,450	-	684	-	-	2,623,870
- Hire purchase receivables	-	-	-	-	-	-	7,423,573	-	-	-	7,423,573
- Other term financing	987,645	1,484,968	6,982,666	-	26,888,119	52,570	-	-	-	-	36,395,968
Bills receivable	5,075	-	-	2,302,104	-	-	-	-	-	-	2,307,179
Islamic trust receipts	108,436	-	-	-	-	-	-	-	-	-	108,436
Claims on customers under acceptance credits	1,031,894	-	-	80,964	-	-	-	-	-	-	1,112,858
Staff financing	-	-	-	-	114,300	-	-	-	-	-	114,300
Revolving credits	-	-	-	-	7,300,930	-	-	-	-	-	7,300,930
Credit card receivables	-	-	-	-	-	-	-	-	-	137,325	137,325
Share purchase financing	207	-	-	-	-	-	-	-	-	-	207
Gross financing, advances and other financing/loans, at amortised cost	2,604,209	7,277,155	7,144,945	2,383,068	48,276,183	1,417,831	7,423,573	684	1,455	137,325	76,666,428
Fair value changes arising from fair value hedge											32,732
											76,699,160
Less: Expected credit losses											(568,272)
Net financing, advances and other financing/loans, at amortised cost											76,130,888
<b>At Fair value through Profit or loss</b>											
Term financing											
- Syndicated financing	-	-	-	-	491,566	-	-	-	-	-	491,566
Net financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	491,566	-	-	-	-	-	491,566
<b>Net financing, advances and other financing/loans</b>											76,622,454

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)****(i) By type and Shariah contract: (Continued)**The Group  
At 31 December 2017

	Sale-based contracts				Lease-based contracts			Equity-based contracts	Loan contract	Other	Total RM'000
	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi al-Tamlik * RM'000	Al-Ijarah Thumma al- Bai # RM'000	Mudharabah RM'000	Qard RM'000	Ujrah RM'000	
At amortised cost											
Cash line <sup>^</sup>	-	14,452	4,221	-	777,355	-	-	-	2,064	-	798,092
Term financing											
- House financing	-	6,329,300	-	-	6,775,695	1,433,334	-	-	-	-	14,538,329
- Syndicated financing	496,721	-	228,506	-	2,092,012	59,738	-	739	-	-	2,877,716
- Hire purchase receivables	-	-	-	-	-	-	5,709,622	-	-	-	5,709,622
- Other term financing	1,079,047	1,720,870	9,305,762	-	19,486,424	55,169	-	-	-	-	31,647,272
Bills receivable	-	-	-	1,567,399	-	-	-	-	292	-	1,567,691
Islamic trust receipts	153,508	-	-	-	-	-	-	-	-	-	153,508
Claims on customers under acceptance credits	699,677	-	-	152,731	-	-	-	-	-	-	852,408
Staff financing	-	-	-	-	57,729	-	-	-	-	-	57,729
Revolving credits	-	-	-	-	4,929,326	-	-	-	-	-	4,929,326
Credit card receivables	-	-	-	-	-	-	-	-	-	128,947	128,947
Share purchase financing	3,737	-	-	-	-	-	-	-	-	-	3,737
Gross financing, advances and other financing/loans	2,432,690	8,064,622	9,538,489	1,720,130	34,118,541	1,548,241	5,709,622	739	2,356	128,947	63,264,377
Fair value changes arising from fair value hedge											69,873
											63,334,250
Less: Allowance for impairment losses											
- Individual impairment allowance											(103,254)
- Portfolio impairment allowance											(246,556)
											(349,810)
<b>Net financing, advances and other financing/loans</b>											<b>62,984,440</b>

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)****(i) By type and Shariah contract: (Continued)**

	Sale-based contracts			Equity-based contracts	Total RM'000
	Murabahah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Mudharabah RM'000	
<b>At amortised cost</b>					
Cash line <sup>^</sup>	-	-	24	-	24
Term financing					
- Syndicated financing	470,952	-	123,727	684	595,363
- Other term financing	987,645	-	1,559,036	-	2,546,681
Bills receivable	-	2,281,042	-	-	2,281,042
Islamic trust receipts	3,240	-	-	-	3,240
Revolving credits	-	-	699,462	-	699,462
Gross financing, advances and other financing/loans, at amortised cost	<u>1,461,837</u>	<u>2,281,042</u>	<u>2,382,249</u>	<u>684</u>	<u>6,125,812</u>
Fair value changes arising from fair value hedge					-
					<u>6,125,812</u>
Less: Expected credit losses					(73,680)
Net financing, advances and other financing/loans, at amortised cost					<u>6,052,132</u>
Net financing, advances and other financing/loans					<u>6,052,132</u>

**At 31 December 2017**

	Sale-based contracts			Equity-based contracts	Total RM'000
	Murabahah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Mudharabah RM'000	
<b>At amortised cost</b>					
Term financing					
- Syndicated financing	496,721	-	185,740	739	683,200
- Other term financing	1,079,047	-	1,643,376	-	2,722,423
Bills receivable	-	1,543,473	-	-	1,543,473
Islamic trust receipts	68,015	-	-	-	68,015
Staff financing	-	-	24	-	24
Revolving credits	-	-	471,681	-	471,681
Gross financing, advances and other financing/loans	<u>1,643,783</u>	<u>1,543,473</u>	<u>2,300,821</u>	<u>739</u>	<u>5,488,816</u>
Less: Allowance for impairment losses					
- Individual impairment allowance					(53,902)
- Portfolio impairment allowance					(1,883)
					<u>(55,785)</u>
<b>Net financing, advances and other financing/loans</b>					<u>5,433,031</u>

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



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)****(i) By type and Shariah contract: (Continued)**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Gross financing, advances and other financing/loans				
- At amortised cost	76,666,428	63,264,377	6,125,812	5,488,816
- At Fair value through Profit or loss	491,566	-	-	-
	<u>77,157,994</u>	<u>63,264,377</u>	<u>6,125,812</u>	<u>5,488,816</u>

**Sale-based contracts****- Murabahah**

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

**- Bai' al-'inah**

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

**- Tawarruq vis-à-vis Commodity Murabahah**

Tawarruq structure for CIMB Islamic's financing product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

**- Bai' Bithaman Ajil**

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

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **59 The operations of Islamic Banking (Continued)**

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

##### **(i) By type and Shariah contract: (Continued)**

###### **- Bai' al-Dayn**

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

###### **Lease-based contracts**

###### **- Ijarah**

A lease contract that transfers the ownership of a usufruct of an asset to another party for a specified period in exchange for a rental. Ijarah contract may end with the transfer of the legal title of the leased asset to the lessee is called Ijarah Muntahia bi al-Tamlik (IMBT). Effective transfer of the legal title is a consequent to the conclusion of the lease arrangement that can be in the form of a sale or a gift of the asset to the lessee. Al-Ijarah Thumma al-Bai (AITAB) is a form of Ijarah Muntahia bi al-Tamlik where the sale of asset to the lessee is executed at the completion of the lease period. Income is recognised on effective profit rate basis over the lease term.

###### **Loan contracts**

###### **- Qard**

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

###### **Rahnu**

Rahnu is a contract between a pledgor (rahin) and a pledgee (murtahin) whereby an asset is pledged as collateral (marhun) to the pledgee to provide assurance that the liability or obligation against the pledgee will be fulfilled.

###### **Ujrah**

Arrangement that involves payment of a service fee in exchange for the services rendered to customers

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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **59 The operations of Islamic Banking (Continued)**

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

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

- a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM3,384,000,000 (2017: RM3,595,054,000) financing using Islamic profit rate swaps.
- b) Included in financing, advances and other financing/loans of the Group are exposures to Restricted Profit Sharing Investment Accounts ('RPSIA'), as part of an arrangement between CIMB Islamic Bank and CIMB Bank. CIMB Bank is exposed to risks and rewards on RPSIA financing and will account for all the allowances for impairment losses for bad and doubtful debts financing arising thereon.

As at 31 December 2018, the gross exposure and 12-months expected credit losses relating to RPSIA financing are RM6,907,549,000 (2017: RM6,123,712,000) and RM25,658,000 (2017: portfolio impairment allowance of RM10,248,000) respectively.

There was no individual impairment provided on this RPSIA financing in 2017.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)**

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

c) Movement in Qard financing:

	<b>The Group</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
As at 1 January	2,356	4,283
New disbursement	332	1,064
Repayment	<b>(1,233)</b>	(2,991)
As at 31 December	<b>1,455</b>	2,356
Sources of Qard fund:		
Depositors' fund	1,371	2,220
Shareholders' fund	<b>84</b>	136
	<b>1,455</b>	2,356
Uses of Qard fund:		
Personal use	172	162
Business purpose	<b>1,283</b>	2,194
	<b>1,455</b>	2,356

(ii) By type of customer:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	2,559,537	2,659,598	-	-
Domestic business enterprises				
- small medium enterprises	10,539,046	7,900,555	-	-
- others	10,130,423	7,017,482	62,403	96,368
Government and statutory bodies	5,316,905	7,060,073	-	-
Individuals	41,918,011	33,002,550	-	-
Other domestic entities	84,965	84,783	-	-
Foreign entities	<b>6,609,107</b>	5,539,336	<b>6,063,409</b>	5,392,448
	<b>77,157,994</b>	63,264,377	<b>6,125,812</b>	5,488,816

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)**

(iii) By profit rate sensitivity:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate				
- House financing	96,355	87,009	-	-
- Hire-purchase receivables	5,924,614	4,219,343	-	-
- other financing/loans	9,733,955	11,538,019	2,498,296	1,947,276
Variable rate				
- House financing	18,146,987	14,451,319	-	-
- Others	43,256,083	32,968,687	3,627,516	3,541,540
	<u>77,157,994</u>	<u>63,264,377</u>	<u>6,125,812</u>	<u>5,488,816</u>

(iv) By economic purposes:

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Personal use	2,321,190	2,370,568	-	-
Credit card	137,325	128,947	-	-
Purchase of consumer durables	16,511	17,950	-	-
Residential property	19,281,338	15,143,785	530,004	218,817
Non residential property	5,841,903	4,760,381	156,728	574,559
Purchase of fixed assets other than land and building	625,573	611,028	446,286	471,176
Construction	3,420,799	1,822,160	-	-
Purchase of securities	12,148,632	9,029,785	-	-
Purchase of transport vehicles	8,041,505	6,389,569	684	741
Working capital	17,372,745	14,078,774	171,320	223,025
Merger and acquisition	98,778	158,941	97,650	156,204
Other purpose	7,851,695	8,752,489	4,723,140	3,844,294
	<u>77,157,994</u>	<u>63,264,377</u>	<u>6,125,812</u>	<u>5,488,816</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)****(v) By economic sector:**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Primary agriculture	2,659,090	1,993,109	481,067	34,752
Mining and quarrying	2,290,215	2,500,638	716,142	893,190
Manufacturing	2,546,627	1,884,883	66,065	161,289
Electricity, gas and water supply	95,820	103,420	-	-
Construction	2,705,543	1,405,408	101,066	25,545
Transport, storage and communications	4,108,379	2,594,541	378,606	348,573
Education, health and others	5,935,866	7,581,993	-	-
Wholesale and retail trade, and restaurants and hotels	3,503,177	2,145,045	1,303,172	897,213
Finance, insurance/takaful, real estate and business activities	10,729,007	9,515,549	2,717,514	2,891,686
Household	42,147,609	33,246,949	1	-
Others	436,661	292,842	362,179	236,568
	<b>77,157,994</b>	<b>63,264,377</b>	<b>6,125,812</b>	<b>5,488,816</b>

**(vi) By geographical distribution:**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	71,152,850	57,877,099	120,668	101,538
Indonesia	65,908	62,846	65,908	62,846
Singapore	4,986,740	4,150,641	4,986,740	4,150,641
Other countries	952,496	1,173,791	952,496	1,173,791
	<b>77,157,994</b>	<b>63,264,377</b>	<b>6,125,812</b>	<b>5,488,816</b>

**(vii) By residual contractual maturity:**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Within one year	16,982,900	12,312,189	4,171,169	2,671,410
One year to less than three years	5,564,460	7,697,439	949,190	1,851,996
Three years to less than five years	2,871,234	3,394,370	42,222	445,703
Five years and more	51,739,400	39,860,379	963,231	519,707
	<b>77,157,994</b>	<b>63,264,377</b>	<b>6,125,812</b>	<b>5,488,816</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)**

(viii) Credit impaired/impaired financing, advances and other financing/loans by economic purposes:

	The Group		The Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Personal uses	17,717	17,573	-	-
Credit card	1,879	2,066	-	-
Purchase of consumer durables	336	338	-	-
Construction	29,020	31,093	-	-
Residential property	157,524	122,710	-	-
Non residential property	61,027	64,736	-	-
Purchased of fixed assets other than land & building	75	-	-	-
Purchase of securities	1,485	1,370	-	-
Purchase of transport vehicles	61,866	84,613	-	-
Working capital	212,105	181,420	154,771	155,010
Other	144,024	162,594	94,574	131,633
	<b>687,058</b>	<b>668,513</b>	<b>249,345</b>	<b>286,643</b>

(ix) Credit impaired/impaired financing, advances and other financing/loans by economic sector:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Primary agriculture	6,658	2,589	-	-
Mining and quarrying	184,612	189,591	181,833	187,063
Manufacturing	28,146	21,636	-	-
Construction	25,435	7,306	-	-
Transport, storage and communications	124,127	159,765	67,512	99,580
Education, health and others	10,613	11,967	-	-
Wholesale and retail trade, and restaurants and hotels	9,706	1,672	-	-
Finance, insurance/takaful, real estate and business activities	44,369	23,887	-	-
Household	253,389	248,060	-	-
Others	3	2,040	-	-
	<b>687,058</b>	<b>668,513</b>	<b>249,345</b>	<b>286,643</b>

# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 59 The operations of Islamic Banking (Continued)

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

- (x) Credit impaired/impaired financing, advances and other financing/loans by geographical distribution:

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	483,675	456,101	45,962	74,231
Indonesia	16,251	19,242	16,251	19,242
Singapore	68,319	66,950	68,319	66,950
Other countries	118,813	126,220	118,813	126,220
	<b>687,058</b>	668,513	<b>249,345</b>	286,643



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)**

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

The Group	Lifetime expected credit losses - not credit impaired		Lifetime expected credit losses	Individual impairment provision under	Portfolio impairment provision under	Total
	12-month expected credit losses (Stage 1)	(Stage 2)	- Credit impaired (Stage 3)	MFRS 139	MFRS 139	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	-	-	-	103,254	246,556	349,810
Effect of adopting MFRS 9	124,453	120,140	215,614	(103,254)	(246,556)	110,397
<b>Adjusted 1 January 2018</b>	<b>124,453</b>	<b>120,140</b>	<b>215,614</b>	<b>-</b>	<b>-</b>	<b>460,207</b>
Changes in expected credit losses due to transferred within stages:	<b>218,433</b>	<b>(184,018)</b>	<b>(34,415)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transferred to Stage 1	273,384	(230,728)	(42,656)	-	-	-
Transferred to Stage 2	(54,722)	112,135	(57,413)	-	-	-
Transferred to Stage 3	(229)	(65,425)	65,654	-	-	-
<b>Total charge to Income Statement:</b>	<b>(152,814)</b>	<b>171,123</b>	<b>192,633</b>	<b>-</b>	<b>-</b>	<b>210,942</b>
New financial assets originated	161,689	56	462	-	-	162,207
Financial assets that have been derecognised	(107,361)	(1,296)	-	-	-	(108,657)
Writeback in respect of full recoveries	-	-	(3,912)	-	-	(3,912)
Change in credit risk	(207,142)	172,363	196,083	-	-	161,304
Write-offs	-	-	(118,734)	-	-	(118,734)
Exchange fluctuation	(108)	(16)	1,423	-	-	1,299
Other movements	855	6,533	7,170	-	-	14,558
<b>At 31 December 2018</b>	<b>190,819</b>	<b>113,762</b>	<b>263,691</b>	<b>-</b>	<b>-</b>	<b>568,272</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)**

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

The Bank	Lifetime expected credit losses - not credit impaired		Lifetime expected credit losses - Credit impaired (Stage 3)	Individual impairment provision under MFRS 139	Portfolio impairment provision under MFRS 139	Total RM'000
	12-month expected credit losses (Stage 1) RM'000	(Stage 2) RM'000	RM'000	RM'000	RM'000	
At 1 January 2018	-	-	-	53,902	1,883	55,785
Effect of adopting MFRS 9	9,729	3,778	53,903	(53,902)	(1,883)	11,625
Adjusted 1 January 2018	9,729	3,778	53,903	-	-	67,410
Changes due to financial assets recognised in the opening balance that have:						
Transferred to Stage 2	(1,145)	1,145	-	-	-	-
<b>Total charge to Income Statement:</b>	(941)	(3,404)	9,316	-	-	4,971
Change in credit risk	(941)	(3,404)	9,316	-	-	4,971
Exchange fluctuation	(108)	(16)	1,423	-	-	1,299
At 31 December 2018	7,535	1,503	64,642	-	-	73,680

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)**

(xii) Movements in allowance for impaired financing, advances and other financing/loans:

	<b>The Group</b>	<b>The Bank</b>
	RM'000	RM'000
<b>Individual impairment allowance</b>		
At 1 January 2017	65,362	17,300
Net allowance made during the financial year	49,786	40,024
Amount written off	(9,801)	(1,329)
Exchange fluctuation	(2,093)	(2,093)
At 31 December 2017	<u>103,254</u>	<u>53,902</u>
<b>Portfolio impairment allowance</b>		
At 1 January 2017	249,588	6,726
Allowance made/(written back) during the financial year	120,114	(4,546)
Amount written off	(122,681)	-
Transfer to conventional operations	(73)	-
Exchange fluctuation	(392)	(297)
At 31 December 2017	<u>246,556</u>	<u>1,883</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	<u>1.07%</u>	<u>0.02%</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)**

(xiii) Gross carrying amount movement of financing, advances and other financing/loans at amortised cost classified as credit impaired:

The Group	Lifetime expected credit losses	Impaired financing, advances and other financing/loans under MFRS 139	Total
	- Credit impaired (Stage 3) RM'000	RM'000	RM'000
<b>At 1 January 2018</b>	-	668,513	668,513
Effect of adopting MFRS 9	668,513	(668,513)	-
<b>Adjusted 1 Jan 2018</b>	668,513	-	668,513
Transfer within stages	245,141	-	245,141
New financial assets originated	1,178	-	1,178
Write-offs	(118,734)	-	(118,734)
Amount fully recovered	(44,299)	-	(44,299)
Other changes in financing, advances and other financing/loans	(68,070)	-	(68,070)
Exchange fluctuation	3,329	-	3,329
<b>At 31 December 2018</b>	<b>687,058</b>	<b>-</b>	<b>687,058</b>

The Bank	Lifetime expected credit losses	Impaired financing, advances and other financing/loans under MFRS 139	Total
	- Credit impaired (Stage 3) RM'000	RM'000	RM'000
<b>At 1 January 2018</b>	-	286,643	286,643
Effect of adopting MFRS 9	286,643	(286,643)	-
<b>Adjusted 1 Jan 2018</b>	286,643	-	286,643
Other changes in financing, advances and other financing/loans	(40,627)	-	(40,627)
Exchange fluctuation	3,329	-	3,329
<b>At 31 December 2018</b>	<b>249,345</b>	<b>-</b>	<b>249,345</b>

	The Group 31 December 2018	The Bank 31 December 2018
Ratio of credit impaired financing, advances and other financing/loans to total financing, advances and other financing/loans	0.89%	4.07%

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(k) Financing, advances and other financing/loans (Continued)**

(xiii) Gross carrying amount movement of financing, advances and other financing/loans at amortised cost classified as credit impaired: (Continued)

	<b>The Group</b> <b>RM'000</b>	<b>The Bank</b> <b>RM'000</b>
<b>At 1 January 2017</b>	570,970	104,607
Classified as impaired during the financial year	645,983	195,836
Reclassified as not impaired during the financial year	(295,807)	-
Amount written back in respect of recoveries	(107,680)	-
Amount written off	(132,482)	(1,329)
Exchange fluctuation	(12,471)	(12,471)
<b>At 31 December 2017</b>	<b>668,513</b>	<b>286,643</b>
	<b>The Group</b>	<b>The Bank</b>
	<b>31 December 2017</b>	<b>31 December 2017</b>
Ratio of credit impaired financing, advances and other financing/loans to total financing, advances and other financing/loans	1.06%	5.22%

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(l) Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other debtors net of expected credit losses/allowance for doubtful debts, deposits and prepayments	<b>1,035,491</b>	569,316	<b>919,888</b>	311,730
Collateral pledged for derivative transactions	<b>239,940</b>	47,751	-	-
Clearing accounts	<b>368,022</b>	298,753	-	-
	<b><u>1,643,453</u></b>	<u>915,820</u>	<b><u>919,888</u></b>	<u>311,730</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(m) Deferred taxation**

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	81,663	19,000	-	-
Deferred tax liabilities	(530)	(1,206)	-	-
	<b>81,133</b>	<b>17,794</b>	<b>-</b>	<b>-</b>

Further breakdown are as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Deferred tax assets</b>				
Revaluation reserve - financial investments available-for-sale	-	6,591	-	-
Provision for expenses	10,252	12,409	-	-
Expected credit losses	69,401	-	-	-
Debt instruments at fair value through other comprehensive income	2,010	-	-	-
<b>Deferred tax assets</b>	<b>81,663</b>	<b>19,000</b>	<b>-</b>	<b>-</b>

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Deferred tax liabilities</b>				
Excess of capital allowance over depreciation	(530)	(1,206)	-	-
<b>Deferred tax liabilities</b>	<b>(530)</b>	<b>(1,206)</b>	<b>-</b>	<b>-</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(m) Deferred taxation (Continued)**

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

Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Debt instruments at fair value through other comprehensive income RM'000	Provision for expenses RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>						
At 1 January 2018	-	(1,206)	6,591	-	12,409	17,794
Effect of adopting MFRS 9	-	-	(6,591)	3,948	-	(2,643)
1 January 2018, as restated	-	(1,206)	-	3,948	12,409	15,151
Credited/(charged) to statement of income (ao)	69,401	742	-	-	(2,157)	67,986
Under provision in prior years	-	(66)	-	-	-	(66)
Transferred to equity	-	-	-	(1,938)	-	(1,938)
At 31 December 2018	69,401	(530)	-	2,010	10,252	81,133



## CIMB Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

#### 59 The operations of Islamic Banking (Continued)

##### (m) Deferred taxation (Continued)

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

	Note	Accelerated tax depreciation RM'000	Revaluation reserve - financial investments available-for- sale RM'000	Provision for expenses RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>					
At 1 January 2017		(1,921)	8,114	9,234	15,427
Credited to statement of income	(ao)	1,271	-	3,107	4,378
(Under)/over provision in prior years		(556)	-	68	(488)
Transferred to equity		-	(1,523)	-	(1,523)
At 31 December 2017		<u>(1,206)</u>	<u>6,591</u>	<u>12,409</u>	<u>17,794</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(n) Statutory deposits with Bank Negara Malaysia**

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Statutory deposit with Bank Negara Malaysia	<b>2,076,422</b>	<b>1,554,286</b>

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

**(o) Goodwill**

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 January/31 December	<b>136,000</b>	<b>136,000</b>

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

**Impairment test for goodwill**Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2019 financial budgets approved by Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 4.27% (2017: 4.20%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rates used in determining the recoverable amount of all the CGUs is 7.47% (2017: 6.92%). The discount rates are pre-tax and reflects the specific risks relating to the CGUs.

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

**Impairment charge**

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(p) Intangible assets**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Computer software</b>				
<b>Cost</b>				
At 1 January	134,158	132,650	184	131
Additions	2,217	6,174	15	55
Disposal/Written-off	-	(3,332)	-	-
Reclassified to property, plant and equipment (Note q)	-	(1,332)	-	-
Exchange fluctuation	-	(2)	-	(2)
At 31 December	<u>136,375</u>	<u>134,158</u>	<u>199</u>	<u>184</u>
<b>Amortisation</b>				
At 1 January	55,009	51,571	126	92
Charge for the financial year	9,794	8,103	37	35
Disposal/Written-off	-	(3,332)	-	-
Reclassified to property, plant and equipment (Note q)	-	(1,332)	-	-
Exchange fluctuation	-	(1)	-	(1)
At 31 December	<u>64,803</u>	<u>55,009</u>	<u>163</u>	<u>126</u>
<b>Net book value at 31 December</b>	<u>71,572</u>	<u>79,149</u>	<u>36</u>	<u>58</u>

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

Computer software 1-15 years

The above intangible assets include computer software under construction at cost of the Group of RM658,650 (2017: RM4,405,484).

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(q) Property, plant and equipment**

<b>The Group 2018</b>	<b>Renovations, office and plant equipment, furniture and fittings RM'000</b>	<b>Computer equipments RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January	2,294	20,986	387	23,667
Additions	3	517	-	520
At 31 December	<u>2,297</u>	<u>21,503</u>	<u>387</u>	<u>24,187</u>
<b>Accumulated depreciation</b>				
At 1 January	2,232	15,353	44	17,629
Charge for the financial year	38	3,678	78	3,794
At 31 December	<u>2,270</u>	<u>19,031</u>	<u>122</u>	<u>21,423</u>
<b>Net book value at 31 December</b>	<u>27</u>	<u>2,472</u>	<u>265</u>	<u>2,764</u>

<b>The Group 2017</b>	<b>Renovations, office and plant equipment, furniture and fittings RM'000</b>	<b>Computer equipments RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January	2,295	19,077	2,139	23,511
Additions	-	1,916	601	2,517
Written-off	(1)	(1,338)	(2,353)	(3,692)
Reclassified from intangible assets (Note p)	-	1,332	-	1,332
Exchange fluctuation	-	(1)	-	(1)
At 31 December	<u>2,294</u>	<u>20,986</u>	<u>387</u>	<u>23,667</u>
<b>Accumulated depreciation</b>				
At 1 January	2,072	10,845	991	13,908
Charge for the financial year	161	4,517	1,189	5,867
Written-off	(1)	(1,338)	(2,136)	(3,475)
Reclassified from intangible assets (Note p)	-	1,332	-	1,332
Exchange fluctuation	-	(3)	-	(3)
At 31 December	<u>2,232</u>	<u>15,353</u>	<u>44</u>	<u>17,629</u>
<b>Net book value at 31 December</b>	<u>62</u>	<u>5,633</u>	<u>343</u>	<u>6,038</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(q) Property, plant and equipment (Continued)**

<b>The Bank</b>	<b>Renovations, office and plant equipment, furniture and fittings</b>	<b>Computer equipments</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>				
At 1 January	49	20	-	69
Additions	-	10	-	10
At 31 December	<u>49</u>	<u>30</u>	<u>-</u>	<u>79</u>
<b>Accumulated depreciation</b>				
At 1 January	42	20	-	62
Charge for the financial year	3	7	-	10
At 31 December	<u>45</u>	<u>27</u>	<u>-</u>	<u>72</u>
<b>Net book value at 31 December</b>	<u>4</u>	<u>3</u>	<u>-</u>	<u>7</u>
<b>The Bank</b>	<b>Renovations, office and plant equipment, furniture and fittings</b>	<b>Computer equipments</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>				
At 1 January	49	21	-	70
Exchange fluctuation	-	(1)	-	(1)
At 31 December	<u>49</u>	<u>20</u>	<u>-</u>	<u>69</u>
<b>Accumulated depreciation</b>				
At 1 January	33	16	-	49
Charge for the financial year	9	7	-	16
Exchange fluctuation	-	(3)	-	(3)
At 31 December	<u>42</u>	<u>20</u>	<u>-</u>	<u>62</u>
<b>Net book value at 31 December</b>	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>

The above property, plant and equipment include renovations, computer equipment and hardware under construction at cost of the Group of RM14,173 (2017: RM14,173).

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(r) Deposits from customers****(i) By type of deposits**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Savings deposits				
Wadiah	-	3,055,616	-	-
Qard	-	610	-	-
Commodity Murabahah (via Tawarruq arrangement)*	<b>3,429,924</b>	275,347	<b>271,339</b>	264,896
Demand deposits				
Wadiah	-	11,247,202	-	218,003
Qard	<b>10,069,627</b>	210,386	<b>17,877</b>	-
Commodity Murabahah (via Tawarruq arrangement)*	<b>1,995,413</b>	34,230	<b>353,569</b>	34,230
Term deposits				
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	<b>39,946,997</b>	33,420,800	<b>1,565,273</b>	1,605,408
Fixed Return Income Account-i (via Tawarruq arrangement)*	<b>24,489,556</b>	20,110,592	<b>1,916,851</b>	2,033,976
Short term money market deposit-i				
Wakalah	-	11,961	-	11,961
Wadiah	-	9,516	-	9,516
Fixed Deposit-i				
Wadiah	-	8,981	-	8,981
General investment account				
Mudharabah	-	2,169	-	-
Specific investment account				
Mudharabah	<b>104,791</b>	113,014	-	-
Islamic negotiable instruments				
Hybrid (Bai Bithamin Ajil and Bai al-Dayn)	-	398,199	-	-
Others				
Qard	<b>20,157</b>	17,326	-	-
	<b>80,056,465</b>	<b>68,915,949</b>	<b>4,124,909</b>	<b>4,186,971</b>

\*included Qard contract of RM633,484,000 (2017: RM329,721,000)

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(r) Deposits from customers (Continued)****(ii) By maturity structures of term deposits**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Due within six months	55,483,238	48,119,521	2,748,788	2,979,082
Six months to less than one year	8,882,076	5,762,299	708,370	633,834
One year to less than three years	70,611	78,284	24,966	56,926
Three years to less than five years	80,363	2,114	-	-
Five years and more	25,056	113,014	-	-
	<b>64,541,344</b>	<b>54,075,232</b>	<b>3,482,124</b>	<b>3,669,842</b>

**(iii) By type of customer**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	3,827,034	3,745,450	124	145
Business enterprises	32,432,116	28,122,389	1,918,219	1,966,444
Individuals	22,894,029	17,224,352	2,070,827	2,054,872
Others	20,903,286	19,823,758	135,739	165,510
	<b>80,056,465</b>	<b>68,915,949</b>	<b>4,124,909</b>	<b>4,186,971</b>

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **59 The operations of Islamic Banking (Continued)**

#### **(r) Deposits from customers (Continued)**

##### **Wadiah (Yad Dhamanah)**

A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian). However, the custodian, at its discretion, may give hibah to the depositors, nevertheless, the hibah shall not be pre-conditioned.

##### **Commodity Murabahah**

A contract of sale and purchase of commodities as underlying assets. The customer appoints the Bank to act as the customer's agent for the purchase and sale of the commodity. At the first stage, the buyer will purchase an asset on credit from the original seller, and at the second stage, the buyer will then sell the asset on cash basis to a third party. It is name as Tawarruq because the buyer purchased the asset on credit with no intention of benefitting from it, rather to sell it to obtain cash. Profit expense shall be recognised on accrual basis by maturity date.

##### **Mudharabah**

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

- a) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.
- b) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

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



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### **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

#### **59 The operations of Islamic Banking (Continued)**

##### **(r) Deposits from customers (Continued)**

###### **Wakalah**

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

Wakalah refers to a contract where a party, as principal (muwakkil) authorizes another party as his agent (wakil) to perform a particular task on matters that may be delegated, with or without imposition of a fee. Wakalah bi al-Istithmar means a Wakalah contract entered for for the purpose of investment.

###### **Bai' Bithaman Ajil**

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Profit expense from deposits shall be recognised on accrual basis by maturity date.

###### **Bai' al-Dayn**

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Profit expense from deposits shall be recognised on accrual basis by maturity date.

###### **Qard**

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

###### **Tawarruq vis-à-vis Commodity Murabahah**

Tawarruq structure for CIMB Islamic's financing product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(s) Investment accounts of customers**

	Note	The Group	
		2018 RM'000	2017 RM'000
Unrestricted investment accounts (Mudharabah)			
-without maturity			
Special Mudharabah Investment Account		465,733	289,203
-with maturity			
Term Investment Account-i		1,303,537	618,560
	25	<u>1,769,270</u>	<u>907,763</u>

**(i) Movement in the investment accounts**

	2018 RM'000	2017 RM'000
<b>The Group</b>		
<b>As at 1 January</b>	<b>907,763</b>	<b>254,408</b>
<i>Funding inflows/outflows</i>		
New placement during the financial year	7,559,711	744,068
Redemption during the financial year	(6,786,033)	(94,717)
Income from investment	121,229	14,966
<i>CIMB Islamic Bank's share of profit</i>		
Profit distributed to mudarib	(33,400)	(10,962)
<b>As at 31 December</b>	<b><u>1,769,270</u></b>	<b><u>907,763</u></b>
<i>Investment asset:</i>		
House financing	1,057,671	710,520
Hire purchase receivables	624,727	-
Other term financing	86,872	197,243
<b>Total investment</b>	<b><u>1,769,270</u></b>	<b><u>907,763</u></b>

**(ii) Profit Sharing Ratio and Rate of Return**

	2018		2017	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Unrestricted investment accounts:				
- no specific tenure	5.00	0.22	5.00	0.21
- less than 1 year	70.83	4.37	88.11	4.22

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(s) Investment accounts of customers (Continued)****(ii) By type of customers**

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	<b>205,280</b>	52,512
Individuals	<b>1,563,749</b>	855,178
Others	<b>241</b>	73
	<b><u>1,769,270</u></b>	<u>907,763</u>

**(t) Deposits and placements of banks and other financial institutions**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>1,571,835</b>	779,212	<b>1,715,870</b>	1,756,017
Licensed investment banks	<b>29,433</b>	340	-	-
Other financial institutions	<b>1,546,112</b>	1,101,412	<b>528,987</b>	625,650
	<b><u>3,147,380</u></b>	<u>1,880,964</u>	<b><u>2,244,857</u></b>	<u>2,381,667</u>

**(u) Investment accounts due to designated financial institutions**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Restricted investment accounts				
Mudharabah	<b>8,216,809</b>	8,145,684	-	-
By type of counterparty				
Licensed banks	<b>8,216,809</b>	8,145,684	-	-

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(u) Investment accounts due to designated financial institutions (continued)****(i) Movement in the investment accounts**

<u>Mudharabah</u> Restricted Profit Sharing Investment Account	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As at 1 January	8,145,684	3,912,011	-	-
<i>Funding inflows/outflows</i>				
New placement during the financial year	9,828,394	9,638,037	-	-
Redemption during the financial year	(10,108,126)	(5,588,865)	-	-
Income from investment	434,290	236,867	-	-
<i>CIMB Islamic Bank's share of profit</i>				
Profit distributed to mudarib	(4,343)	(2,369)	-	-
Incentive fee	(79,090)	(49,997)	-	-
<b>As at 31 December</b>	<b>8,216,809</b>	<b>8,145,684</b>	<b>-</b>	<b>-</b>
<i>Investment asset:</i>				
Other term financing	6,809,449	6,061,977	-	-
Marketable securities	1,211,980	1,768,887	-	-
Miscellaneous other assets	195,380	314,820	-	-
<b>Total investment</b>	<b>8,216,809</b>	<b>8,145,684</b>	<b>-</b>	<b>-</b>

**(ii) Profit Sharing Ratio, Rate of Return and Performance Incentive Fee**

	2018			2017		
	Investment account holder			Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)
Restricted investment accounts: less than 1 year	99.00	3.75	0.84	99.00	3.54	0.98

Included in the investment accounts due to designated financial institutions is the Restricted Profit Sharing Investment Account (“RPSIA”) placed by CIMB Bank amounting to RM8,216,809,000 (2017: RM8,145,684,000) for tenures within 6 months (2017: 1 month to 3 months) at indicative profit rates from 2.79% to 4.12% per annum (2017 : 2.02% to 3.83% per annum). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur

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for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(u) Investment accounts due to designated financial institutions (continued)**

to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

**(v) Financial liabilities designated at fair value**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers - structured investments	<b>21,918</b>	2,234	-	-

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

The carrying amount of the Group as at 31 December 2018 of financial liabilities designated at fair value was RM1,235,000 (2017: RM10,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

CIMB Islamic Bank did not issue any new structured investments in 2017.

**(w) Other liabilities**

Note	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Clearing accounts	<b>2,585,304</b>	2,764,556	<b>2,405,311</b>	2,576,856
Accruals and other payables	<b>87,107</b>	349,405	-	-
Structured deposits	<b>34,178</b>	40,782	-	-
Expected credit losses for commitments and contingencies	(i) <b>76,176</b>	-	<b>608</b>	-
Others	<b>1,711,667</b>	622,420	<b>1,682,122</b>	580,825
	<b>4,494,432</b>	3,777,163	<b>4,088,041</b>	3,157,681

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(w) Other liabilities (Continued)****(i) Expected credit losses/Allowance for commitments and contingencies**

Movement in the expected credit losses for commitments and contingencies are as follows:

The Group	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
<b>At 1 January 2018</b>	-	-	-	-
Effect of adopting MFRS 9	62,863	3,489	1,423	67,775
<b>Adjusted 1 January 2018</b>	62,863	3,489	1,423	67,775
Changes in expected credit losses due to transferred within stages:	5,001	(5,413)	412	-
Transferred to Stage 1	6,366	(6,278)	(88)	-
Transferred to Stage 2	(1,352)	1,537	(185)	-
Transferred to Stage 3	(13)	(672)	685	-
<b>Total charge to Income Statement:</b>	1,686	6,827	(284)	8,229
New exposures	73,897	-	-	73,897
Exposures derecognised or matured	(41,187)	(349)	(5)	(41,541)
Change in credit risk	(31,024)	7,176	(279)	(24,127)
Other movements	(98)	270	-	172
<b>At 31 December 2018</b>	69,452	5,173	1,551	76,176

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for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(w) Other liabilities (Continued)****(i) Expected credit losses/Allowance for commitments and contingencies (Continued)**

Movement in the expected credit losses for commitments and contingencies are as follows: (Continued)

<b>The Bank</b>	<b>12-month expected credit losses (Stage 1) RM'000</b>	<b>Lifetime expected credit losses - not credit impaired (Stage 2) RM'000</b>	<b>Lifetime expected credit losses - Credit impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018</b>	-	-	-	-
Effect of adopting MFRS 9	384	454	-	838
<b>Adjusted 1 January 2018</b>	384	454	-	838
<b>Total charge to Income Statement:</b>	(230)	-	-	(230)
Change in credit risk	(230)	-	-	(230)
<b>At 31 December 2018</b>	154	454	-	608

As at 31 December 2018, the gross exposures of loan commitments and financial guarantee contracts that are credit impaired is RM4,126,000.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(x) Recourse obligation on loans and financing sold to Cagamas**

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to CIMB Islamic Bank Berhad. Under this agreement, CIMB Islamic Bank Berhad undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

**(y) Sukuk**

	Note	The Group		The Bank	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Ziya Capital Berhad Sukuk	(a)	358,265	462,257	-	-
RM1.0 million Sukuk Wakalah (2017/2018)	(b)	-	1,000	-	-
		<u>358,265</u>	<u>463,257</u>	<u>-</u>	<u>-</u>

(a) On 12 August 2016, Ziya issued RM630 million Sukuk which bears a periodic distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021. RM104 million of the Sukuk was partially redeemed during the year.

(b) On 29 December 2017, CIMB Islamic Bank issued RM1.0 million Sukuk Wakalah (the "Sukuk") under its Sukuk Wakalah Programme of RM10.0 billion in nominal value. The Sukuk will mature on 31 December 2018 and bear periodic distribution rate of 4.00% per annum, payable semi-annually. The Sukuk Wakalah was fully redeemed on 31 December 2018.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(z) Provision for taxation**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Taxation	83,479	54,389	-	-

**(aa) Subordinated Sukuk**

	Note	The Group		The Bank	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Subordinated Sukuk RM850 million (1st tranche due in 2024, optional redemption in 2019; 2nd tranche due in 2021, redeemed in 2016; 3rd tranche due in 2022, redeemed in 2017)	(a)	304,752	304,725	-	-
Subordinated Sukuk 2016/2026 RM10 million	(b)	10,126	10,126	-	-
Subordinated Sukuk 2017/2027 RM300 million	(c)	300,155	300,155	-	-
		<b>615,033</b>	<b>615,006</b>	<b>-</b>	<b>-</b>

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

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

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

CIMB Islamic redeemed in full, the second tranche of the Sukuk of RM250 million on its first optional redemption date of 21 April 2016.

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

# **CIMB Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)**

### **59 The operations of Islamic Banking (Continued)**

#### **(aa) Subordinated Sukuk (continued)**

CIMB Islamic redeemed in full, the third tranche of the Sukuk of RM300 million on its first optional redemption date of 18 September 2017.

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

The Sukuk qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the general phase-out treatment under Basel III).

- (b) On 21 September 2016, CIMB Islamic Bank had issued RM10 million Tier II Junior Sukuk (“Sukuk”) at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM10 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic.

- (c) On 28 December 2017, CIMB Islamic Bank had issued RM300 million Tier II Junior Sukuk (“Sukuk”) at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of CIMB Islamic.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(ab) Ordinary share capital**

	<b>The Group</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
<b>Issued and fully paid</b>		
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>

**(ac) Perpetual preference shares**

	<b>The Group</b>	
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
<b>Issued and fully paid</b>		
<b>Perpetual preference shares:</b>		
At 1 January/31 December	<u>220,000</u>	<u>220,000</u>

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

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

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

CIMB Islamic Bank may declare dividends on any of the preference shares.

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

# CIMB Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 59 The operations of Islamic Banking (Continued)

#### (ad) Reserves

- (a) The statutory reserves are maintained in compliance with BNM guidelines and is not distributable as cash dividends. Effective 3 May 2017, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.
- (b) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.
- (c) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018 (prior to 2018: MFRS 139 beginning 1 January 2010).

On 2 February 2018, BNM issued the revised policy on Financial Reporting and Financial Reporting for Islamic Banking Institutions which requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

- (d) Share-based payment reserve arose from the Employee Ownership Plan, the Group's share-based compensation benefits.
- (e) Currency translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.
- (f) For debt instruments at fair value through other comprehensive income ("FVOCI"), changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.
- (g) The Group has elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(ae) Restricted Agency Investment Account**

- (i) The details of the Restricted Agency Investment (“RAIA”) financing is as below. The exposures and corresponding risk weighted amount are reported in investors’ financial statements.

## RAIA arrangement

	The Group 2018 RM’000	The Bank 2018 RM’000
Financing and advances	5,530,998	-
Commitments and contingencies	700,000	-
	<u>6,230,998</u>	<u>-</u>
	The Group 2018 RM’000	The Bank 2018 RM’000
Total RWA for Credit Risk	<u>316,179</u>	<u>-</u>
	<u>316,179</u>	<u>-</u>

RAIA arrangement is with the Bank’s holding company, CIMB Bank, and the contract is based on the Wakalah principle where CIMB Bank provides the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). In the arrangement, the Bank has risk transferred substantially all the risk and rewards of ownership of the Investment (i.e. the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and allowance for impairment arising thereon, if any, are recognised and accounted for by CIMB Bank.

The recognition and derecognition of the above are in accordance to Note F and H in the financial statements of the Group and the Bank for the financial year ended 31 December 2018.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(ae) Restricted Agency Investment Account (Continued)****(ii) Movement in the Investment Account****Wakalah****Restricted Agency Investment Account -RAIA**

	The Group 2018 RM'000	The Bank 2018 RM'000
1 January	-	-
<u>Funding inflows/outflows</u>		
New placement during the year	5,500,000	-
Income from investment	31,020	-
<u>Bank's share of profit</u>		
Wakalah fee	(22)	-
31 December	<u>5,530,998</u>	<u>-</u>
<u>Investment asset:</u>		
Revolving credit	1,501,107	-
Other term financing	4,029,891	-
Total investment	<u>5,530,998</u>	<u>-</u>

**(iii) Profit sharing ratio, Rate of Return and Performance Incentive Fee**

	2018	
	Investment account holder	
	Average profit sharing ratio (%)	Average rate of return (%)
Restricted investment accounts:		
less than 1 year	-	4.0%
more than 5 year	-	4.8%

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(af) Income derived from investment of depositors' funds and others**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	2,503,355	2,290,905	151,882	222,409
(ii) Specific investment deposits	3,223	5,031	-	1,889
(iii) Other deposits	1,136,930	864,294	2,522	258
	<b>3,643,508</b>	<b>3,160,230</b>	<b>154,404</b>	<b>224,556</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(af) Income derived from investment of depositors' funds and others (Continued)****(i) Income derived from investment of general investment deposits**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financing, advances and other financing/loans				
- profit income	<b>1,989,175</b>	1,663,137	<b>156,568</b>	133,701
- unwinding income <sup>^</sup>	<b>9,482</b>	8,214	-	-
Money at call and deposits with financial institutions	<b>200,170</b>	-	<b>5,363</b>	-
Financial assets held for trading	-	35,591	-	6,535
Financial investments available-for-sale	-	62,615	-	11,671
Financial investments held-to-maturity	-	120,415	-	6,562
Money at call and deposits with financial institutions	-	211,322	-	9,306
Debt instruments at fair value through other comprehensive income	<b>83,014</b>	-	<b>12,594</b>	-
Debt instrument at amortised cost	<b>159,557</b>	-	<b>5,136</b>	-
	<b>2,441,398</b>	2,101,294	<b>179,661</b>	167,775
Accretion of discount less amortisation of premium	<b>(1,417)</b>	65,127	<b>(184)</b>	(247)
Other profit income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	<b>34,025</b>	-	<b>4,562</b>	-
- Net accretion of discount less amortisation of premium	<b>54,729</b>	-	<b>(146)</b>	-
Total finance income and hibah	<b>2,528,735</b>	2,166,421	<b>183,893</b>	167,528
Other operating income				
- Net gain from financial assets held for trading				
-realised	-	1,485	-	29
-unrealised	-	12,128	-	10,849
- Net gain from sale of financial investments available-for-sale	-	3,645	-	1,800
- Net (loss)/gain from foreign exchange transactions	<b>(47,702)</b>	92,575	<b>(38,008)</b>	32,681
- Net gain from sale of investment in debt instruments at fair value through other comprehensive income	<b>4,729</b>	-	-	-
- Net loss arising from sale of financial assets at fair value through profit or loss				
-realised	<b>(476)</b>	-	<b>(5,092)</b>	-
-unrealised	<b>(2,521)</b>	-	<b>(2,926)</b>	-
	<b>(45,970)</b>	109,833	<b>(46,026)</b>	45,359
Fee and commission income	<b>20,590</b>	14,651	<b>14,015</b>	9,522
	<b>2,503,355</b>	2,290,905	<b>151,882</b>	222,409

<sup>^</sup> Unwinding income is income earned on credit impaired financial assets



# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 59 The operations of Islamic Banking (Continued)

#### (af) Income derived from investment of depositors' funds and others (Continued)

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

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Money at call and deposit with financial institutions	3,223	3,142	-	-
Fee and commission income	-	1,889	-	1,889
	<u>3,223</u>	<u>5,031</u>	<u>-</u>	<u>1,889</u>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(af) Income derived from investment of depositors' funds and others (Continued)****(iii) Income derived from investment of other deposits**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financing, advances and other financing/loans				
- profit income	874,434	638,981	-	-
- unwinding income <sup>^</sup>	4,580	3,435	-	-
Financial assets held for trading	-	12,126	-	-
Financial investments available-for-sale	-	21,279	-	-
Financial investments held-to-maturity	-	47,505	-	-
Money at call and deposits with financial institutions	97,189	84,385	-	-
Debt instruments at fair value through other comprehensive income	32,826	-	-	-
Debt instrument at amortised cost	71,885	-	-	-
	<b>1,080,914</b>	<b>807,711</b>	<b>-</b>	<b>-</b>
Accretion of discount less amortisation of premium	(543)	27,312	-	-
Other profit income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	15,342	-	-	-
- Net accretion of discount less amortisation of premium	26,341	-	-	-
Total finance income and hibah	<b>1,122,054</b>	<b>835,023</b>	<b>-</b>	<b>-</b>
Other operating income				
- Net gain from financial assets held for trading				
-realised	-	617	-	-
-unrealised	-	796	-	258
- Net gain from sale of financial investments available-for-sale	-	767	-	-
- Net gain from foreign exchange transactions	4,925	25,006	-	-
- Net gain from sale of investment in debt instruments at fair value through other comprehensive income	2,313	-	-	-
- Net gain arising from financial assets at fair value through profit or loss:				
-realised	1,935	-	-	-
-unrealised	1,922	-	1,819	-
	<b>11,095</b>	<b>27,186</b>	<b>1,819</b>	<b>258</b>
Fee and commission income	3,781	2,085	703	-
	<b>1,136,930</b>	<b>864,294</b>	<b>2,522</b>	<b>258</b>

<sup>^</sup> Unwinding income is income earned on credit impaired financial assets

# CIMB Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2018 (Continued)

### 59 The operations of Islamic Banking (Continued)

#### (ag) Income derived from investment of investment account

	The Group	
	2018	2017
	RM'000	RM'000
Financing, advances and other financing/loans		
- Profit income	495,972	222,422
- Unwinding income <sup>^</sup>	8	67
Money at call and deposit with financial institutions	59,583	29,568
	<u>555,563</u>	<u>252,057</u>

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

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(ah) Net income/(expenses) derived from investment of shareholders' funds**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Financing, advances and other financing/loans				
- profit income	165,718	142,837	4,629	2,733
- unwinding income <sup>^</sup>	835	754	-	-
Money at call and deposits with financial institutions	17,496	18,915	284	426
Financial assets held for trading	-	2,712	-	61
Financial investments available-for-sale	-	4,794	-	129
Financial investments held-to-maturity	-	10,630	-	243
Debt instruments at fair value through other comprehensive income	6,393	-	215	-
Debt instrument at amortised cost	13,777	-	232	-
	<b>204,219</b>	180,642	<b>5,360</b>	3,592
Accretion of discount less amortisation of premium	(107)	5,997	-	-
Other profit income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	2,698	-	89	-
- Net accretion of discount less amortisation of premium	4,817	-	-	-
Total finance income and hibah	<b>211,627</b>	186,639	<b>5,449</b>	3,592
Other operating income				
- Net gain/(loss) from financial assets held for trading				
- Realised	-	135	-	(3)
- Unrealised	-	102	-	(9)
- Net gain/(loss) arising from financial liabilities designated at fair value				
- Realised	-	40	-	-
- Unrealised	-	(52)	-	-
- Net gain from sale of financial investments available-for-sale	-	209	-	40
- Net (loss)/gain from hedging derivatives	(2,248)	(1,305)	-	142
- Net (loss)/gain from foreign exchange transactions	(2,430)	4,978	(1,575)	(475)
- Net gain from sale of investment in debt instruments at fair value through other comprehensive income	414	-	-	-
- Net gain arising from financial assets at fair value through profit or loss:				
- Realised	406	-	-	-
- Unrealised	32	-	-	-
- Net gain arising from financial liabilities designated at fair value				
- Realised	3	-	-	-
- Unrealised	1,235	-	11	-
- Net gain/(loss) from derivative financial instruments				
- Realised	155,617	(22,751)	79,133	1,801
- Unrealised	(20,165)	9,260	(7,257)	347
	<b>132,864</b>	(9,384)	<b>70,312</b>	1,843
Fee and commission income	149,054	147,212	253	281
Fee and commission expense	(5,539)	(10,703)	-	-
Net fee and commission income	143,515	136,509	253	281
Sundry income	2,544	3,701	-	-
	<b>490,550</b>	317,465	<b>76,014</b>	5,716

<sup>^</sup> Unwinding income is income earned on credit impaired financial assets

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(ai) Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans at amortised cost:				
- Expected credit losses on financing, advances and other financing/loans	210,942	-	4,971	-
- Individual impairment allowance	-	49,786	-	40,024
- Portfolio impairment allowance	-	120,114	-	(4,546)
Credit impaired / Impaired financing, advances and other financing/loans:				
- recovered	(53,328)	(53,105)	-	-
- written off	3,222	4,445	-	-
	<b>160,836</b>	<b>121,240</b>	<b>4,971</b>	<b>35,478</b>

**(aj) Other expected credit losses/allowance for other impairment losses**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Expected credit losses/allowance made/ (written back) on:				
- Debt instrument at fair value through other comprehensive income	(563)	-	(16)	-
- Debt instrument at amortised cost	863	-	687	-
- Other receivables	1,373	(1)	1,476	-
	<b>1,673</b>	<b>(1)</b>	<b>2,147</b>	<b>-</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(ak) Income attributable to depositors**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	3,917	39,322	-	35,064
- Non-Mudharabah	2,145,286	1,718,965	54,619	2,685
- Other	1,978	-	1,978	-
Deposits and placements of banks and other financial institutions				
- Mudharabah	-	10,598	-	13,863
- Non-Mudharabah	75,735	63,931	25,424	17,416
- Other	16,542	-	16,542	-
Financial liabilities designated at fair value	67	78	-	-
Subordinated Sukuk	32,131	27,359	-	-
Recourse obligation on loan and financing sold to Cagamas	84,259	59,912	-	-
Sukuk	13,972	18,390	-	-
Structured deposits	550	852	-	-
Others	-	3,212	-	3,212
	<b>2,374,437</b>	<b>1,942,619</b>	<b>98,563</b>	<b>72,240</b>

**(al) Profit distributed to investment account holder**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
- Restricted	350,857	184,501	-	-
- Unrestricted	87,829	4,007	-	-
	<b>438,686</b>	<b>188,508</b>	<b>-</b>	<b>-</b>

**(am) Personnel expenses**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	27,112	27,730	2,990	2,881
Pension costs (defined contribution plan)	2,359	2,782	-	-
Staff incentives and other staff payments	438	1,481	-	-
Medical expenses	158	742	-	-
Others	674	966	-	-
	<b>30,741</b>	<b>33,701</b>	<b>2,990</b>	<b>2,881</b>

Included in the personnel costs are fees paid to the Shariah Committee's members amounting to RM857,000 (2017: RM957,000).

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(an) Other overheads and expenditures**

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Establishment costs</b>				
Rental	2,497	3,120	144	140
Depreciation of property, plant and equipment	3,794	5,867	10	16
Repairs and maintenance	-	-	11	-
Amortisation of intangible assets	9,794	8,103	37	35
Security expenses	13	37	-	-
Utility expenses	88	97	7	-
Others	1,412	520	-	19
<b>Marketing expenses</b>				
Advertisement and publicity	3,378	5,265	903	452
Others	1,218	1,017	31	-
<b>Administration and general expenses</b>				
Consultancy and professional fees	1,094	1,637	-	-
Legal expenses	926	321	(74)	-
Stationery	410	780	16	173
Communication	102	-	-	-
Incidental expenses on banking operations	4,579	3,692	-	-
Postage	2,407	3,450	-	-
Donation	-	2,559	-	-
Others	27,228	17,977	230	-
	<b>58,940</b>	<b>54,442</b>	<b>1,315</b>	<b>835</b>
<b>Shared service cost</b>	<b>519,837</b>	<b>457,920</b>	<b>-</b>	<b>-</b>
	<b>578,777</b>	<b>512,362</b>	<b>1,315</b>	<b>835</b>

**CIMB Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(a) Taxation and zakat****(i) Tax expense for the financial year**

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	258,537	202,949	-	-
Deferred taxation (Note m)	(67,986)	(4,378)	-	-
Over provision in prior financial year	(3,826)	(27,277)	-	-
	<b>186,725</b>	<b>171,294</b>	<b>-</b>	<b>-</b>
Zakat	2,100	1,250	-	-
	<b>188,825</b>	<b>172,544</b>	<b>-</b>	<b>-</b>

**(iv) Numerical reconciliation of income tax expense**

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

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	<b>1,099,588</b>	931,321	<b>124,956</b>	118,838
Tax calculated at tax rate of 24%	263,901	223,517	29,989	28,521
- effect of different tax rates in other countries	(3,680)	(3,823)	(3,654)	(3,794)
- income not subject to tax	(74,473)	(24,641)	(26,335)	(24,727)
- expenses not deductible for tax purposes	4,803	3,518	-	-
Over provision in prior financial year	(3,826)	(27,277)	-	-
	<b>186,725</b>	<b>171,294</b>	<b>-</b>	<b>-</b>



**CIMB Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2018 (Continued)****59 The operations of Islamic Banking (Continued)****(ap) Sources and uses of charity funds**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Sources of charity funds</b>				
Balance as at 1 January	-	-	-	-
Non-shariah compliance income	-	79	-	79
Exchange fluctuation	-	4	-	4
Total sources of charity funds during the financial year	<u>-</u>	<u>83</u>	<u>-</u>	<u>83</u>
<b>Uses of charity funds</b>				
Contribution to non-profit organisation	<u>-</u>	<u>83</u>	<u>-</u>	<u>83</u>
Undistributed charity funds as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**60 Authorisation for issue of Financial Statements**

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 11 March 2019.